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ECONOMIC REPORT OF THE GOVERNOR 1987

GEORGE DEUKMEJIAN
GOVERNOR
STATE OF CALIFORNIA

State of California

GOVERNOR'S OFFICE

SACRAMENTO, CA 95814

GEORGE DEUKMEJIAN
GOVERNOR

June 1, 1987

To the Senate and Assembly of the Legislature of California:

As I begin my second term as Governor, I am pleased to report that California continues to maintain its status as a strong and fiscally sound state.

The economy has sustained good, steady growth. Inflation is well under control, business growth is steady, and unemployment continues to remain low while personal income continues to show gains. In 1986, the State performed better than the nation overall in areas such as unemployment, income, and housing. We are now in the 55th month of peacetime economic expansion, compared with the average of 36 months.

Consumers have been a driving force behind the current expansion as California continues to account for more than 12 percent of all retail sales nationwide.

California, which has approximately 11 percent of the nation's people, is undergoing accelerated population growth. The State population rose to almost 27 million in 1986, reflecting a 2.4 percent growth rate compared with a 1.9 to 2.2 percent rate from 1982 to 1985.

Business has responded well to measures made by the State to promote a cooperative and positive climate for business growth, and efforts continue to expand the State's foreign trade with the opening of trade offices in Tokyo and London.

We intend to forge ahead with the policies and priorities established during my first four years in office. We will continue to work with the business community, improve our education system, maintain a balanced budget and sufficient reserve for emergencies, avoid any tax increases, maintain and expand our transportation system, and promote foreign trade efforts.

California's future is built from today's visions. As a state, we are strong and progressive, and poised to move boldly into the 21st century.

Most cordially,

George Deukmejian

George Deukmejian

STATE OF CALIFORNIA
DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

GEORGE DEUKMEJIAN, Governor

June 1, 1987

The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Deukmejian:

I am pleased to submit to you California's 1987 Economic Report of the Governor for transmission to the Legislature.

This report reviews the economic growth California continues to experience and the significant role California plays in the national economy.

I extend my appreciation to the Department of Finance staff and the various departments for their contribution in the development of this report.

Very truly yours,

JESSE R. HUFF
Director of Finance

Enclosure

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I. Overview

Economic activity in both the nation and California continued on an uptrend in 1986, and entered 1987 with prospects for yet another good year. The current expansion is moving toward the five-year mark, reflecting the basic, underlying strength which exists.

The national economic performance was challenging to track in 1986, however. Strength in one quarter was followed by weakness in the next. Policy moves became more difficult to interpret. Enactment of the national tax bill led to distortions in activity. Consumer spending became highly responsive to special industry incentives. The anticipated turnaround in the foreign trade deficit failed to materialize. Oil prices fell to their lowest level since the late 1970s.

Forecasts of a robust growth year proved wrong, as did those for a pronounced slump. On balance, 1986 saw moderate growth with steady but unspectacular gains.

California was no different than the rest of the nation in many respects. Periods of softness were followed by an acceleration of activity. When the year was over, however, the State had again chalked up better overall gains in terms of employment, income and housing activity, to mention three major indicators of the California economy.

The erratic nature of 1986 made forecasting 1987 more complicated, however. Indicators available at any point in time could be interpreted in different ways—as marking the start of a renewed growth phase, or marking the start of a pause in the growth cycle. The distortions in activity caused by anticipation of the new tax law coming into effect on January 1 of this year only contributed to the dilemma.

The first months of 1987 brought renewed vigor to many sectors. Industrial production saw its strongest gain in over a year. Employment rose impressively, even in manufacturing which had been in a slump for more than two years. Retail sales for other than cars were up significantly. Consumer confidence improved. The stage appears to have been set for further sustained growth.

The latest appraisal of the outlook was completed by the Department of Finance in April, and incorporates data through the first quarter. There are seven basic, underlying assumptions:

- Monetary policy will remain moderately stimulative, with M1 increasing at approximately 7.5 percent between the end of 1986 and 1987, and M2 up 5 percent over the same period.
- Fiscal policy will not achieve the Gramm-Rudman-Hollings deficit reduction targets.
- Interest rates will firm moderately for the balance of this year.
- Oil prices will range between $16 and $18 per barrel during 1987.
- The Latin American debt situation will not lead to a crisis in the U.S. financial community.
- Defense spending will increase at a 2 percent rate in real terms.
- The inventory situation is in balance, with no substantial building of stocks or liquidation likely.

The consumer is again expected to lead the economy even though sales gains will be less than in 1986. The only area of weakness will be autos: sales late last year borrowed heavily from activity which would normally have occurred this year.

Investment trends are expected to be somewhat mixed. Nonresidential plant and equipment is likely to be held in check at least temporarily

by the loss of the investment tax credit and the restriction of accelerated depreciation under the new federal tax law. On the other hand, the generally improved business outlook and the strengthening of confidence should stimulate investments which can be supported on economic grounds.

Housing activity will be down marginally from the 1986 level. During early 1987, mortgage rates were at their lowest levels in nine years. The steady improvement over the current expansion has stimulated resales of existing single family homes, and thereby supported the construction of new housing units. The more recent firming in rates is expected to curb demand somewhat, although the overall housing market should remain good. Multifamily construction will be soft, however. The latter has derived a significant part of its strength in the past from tax writeoffs. These were reduced for all units not in place by the end of last year.

Inventories are always difficult to forecast. Stocks remain low for many retailers, suggesting that some rebuilding will have to take place in 1987 if sales targets are to be met. The one exception is the automotive industry, which has continued production at high levels even as inventories were rising. The recent spotty sales picture for cars and production adjustments are expected to persist for some months. On balance, inventories should see some gradual buildup.

The government sector is experiencing only slow growth. Federal civilian spending appears to be headed lower, reflecting cuts put in place in the effort to meet Gramm-Rudman-Hollings deficit targets. Defense spending is still on an uptrend, although the rate of increase has slowed markedly from that of the past several years. The state and local sector continues to gain, although, again, the rate of expansion is far less than normally seen.

Perhaps the biggest question in the national outlook relates to net exports. A substantial turnaround in the nation's negative trade balance would fuel growth sharply. Further deterioration would offset gains in other areas. The devaluation of the U.S. dollar has not yet contained the growth in imports, which are highly correlated with final domestic demand. Exports, in contrast, continue to face severe obstacles in many foreign markets.

Forecasts showing a strong upturn in activity this year generally have a major improvement in net exports in combination with strong inventory building. Without these two factors, the outlook is considerably weaker.

The forecast given here calls for gradual improvement in the foreign trade situation, and a moderate level of inventory accumulation. Gains in the consumer and residential sectors are sufficiently strong, however, to push real gross national product higher by 2.6 percent in 1987. The fourth quarter to fourth quarter increase is expected to be 3 percent.

In other areas, total civilian employment is expected to rise by 2.1 percent, while the jobless rate declines to 6.7 percent—its lowest level in 8 years.

A moderate pickup in inflation is forecast. The stabilization of oil prices alone will have a significant impact. The GNP deflator—the broadest measure of inflation in the overall economy—is expected to

TABLE I-1
THE NATIONAL OUTLOOK FOR 1987 AND 1988
(dollars in billions)

	1987	*Percent change*	*1988*	*Percent change*
Gross national product, $1982	$3,771	2.6	$3,886	3.0
Consumption expenditures	2,461	1.7	2,530	2.8
Durables	367	−0.4	382	3.9
Nondurables	885	1.5	903	2.0
Services	1,208	2.6	1,245	3.0
Investment	677	3.0	697	3.0
Nonresidential structures	128	−5.0	132	3.5
Producers' durable equipment	334	3.8	355	6.3
Residential	198	1.8	199	0.8
Inventory change	17	—	11	—
Net exports	−128	—	−117	—
Government	761	1.9	776	2.0
Federal civilian	74	−10.2	75	2.2
Federal military	259	3.6	261	0.9
State and local	428	3.3	439	2.6
GNP deflator (1982=100)	117.7	2.8	121.8	3.5
GNP, current dollars	4,437	5.5	4,735	6.7
Personal income	3,654	4.8	3,873	6.0
Corporate profits before taxes	279	17.4	326	17.1
Wage and salary employment (mill.)	103.0	2.8	106.1	3.0
Unemployment rate	6.7	—	6.9	—
Housing starts (thous.)	1,780	−2.2	1,845	3.7
New car sales (mill.)	9.9	−14.9	10.2	3.3
Consumer price index	340.5	3.7	354.2	4.0

be up 2.8 percent for the year. The consumer price index will see a somewhat faster gain of 3.7 percent.

The national forecast for 1987 is summarized in Table I-1. The data shown for 1988 should be considered tentative at this point, since events during the current year could lead to a stronger or weaker performance by that time. The 1988 outlook is primarily a mid-range extension of 1987, assuming no significant shifts in policy, consumer behavior or investment trends, and a gradual improvement in the foreign trade balance.

Highlights on California

California experienced some of the same stop-and-go symptoms as the nation during 1986, raising concerns that a prolonged period of slower economic growth might be in the offing. The early part of 1987 saw a sharp snapback, however, suggesting that steady expansion is likely for the foreseeable future.

One of the more significant developments of the past year was the acceleration in population growth. The rate had been running between 1.9 and 2.2 percent from 1982 to 1985. In 1986, however, total population rose by 2.4 percent to 26,980,800.

Net migration accounted for 57 percent of the gain. The 356,000 addition from this source reflected the highest migration total since 1963. Natural increase was also higher, as the number of births continued to rise.

Preliminary data on migration reflect the economic problems of the interior of the nation. Inflows have been particularly strong from Texas, for instance, which has been hard hit by the depressed oil market. Overall, inmigration to California is largest from Texas, Illinois, New York, Washington, Oregon, Arizona, Colorado, Florida, Michigan and Ohio. These ten states account for more than 40 percent of the new residents from other states.

Outflows are also important, however. California actually loses more people to Arizona and Nevada than it gains, for instance, with the over 65 age group a major factor.

There was also a surge of immigrants from outside the United States. While only a fixed number can enter under the existing quota system, individuals already in the country can bring in close relatives without regard for the quota. It is estimated that some 80 percent of the foreign migrants to California come from Pacific Basin countries.

New migrants have contributed significantly to the labor force in the State. In fact, the labor force figures are probably understated given the problems in estimating the level of undocumented workers. The immigration amnesty now underway may simplify the sampling process by encouraging more honesty in responses.

As it is, labor force growth remains strong, with a 2.8 percent increase in 1986. Civilian employment was up by 3.4 percent. As a result, unemployment declined for the fourth year in a row, bringing the jobless rate to an average 6.7 percent.

Even further improvement was evident early in 1987, as the jobless rate fell to just over 6 percent. Sustained reductions from this point on are likely to be more difficult to attain, given the rate of

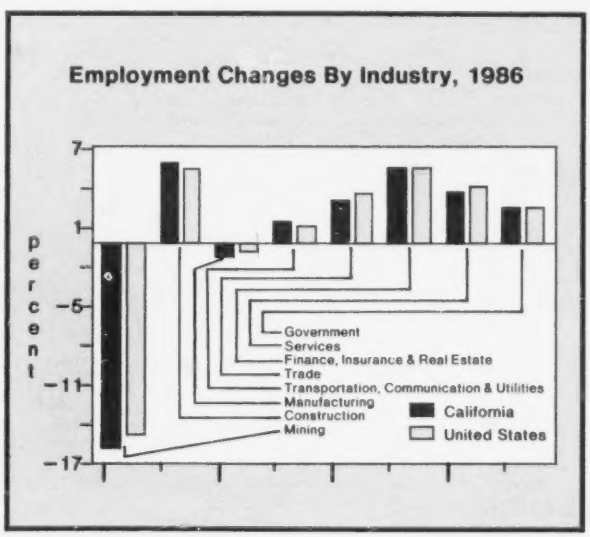


TABLE I-2
POPULATION AND LABOR FORCE TRENDS
(in thousands)

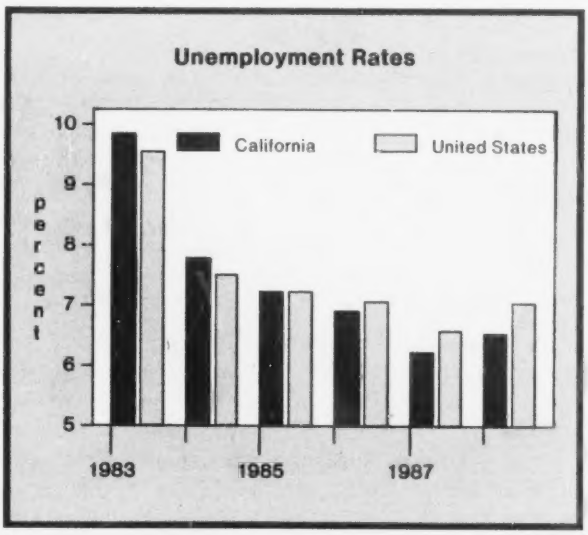
	1986	*1987*	*1988*
Total population (July 1)	26,981	27,564	28,108
Percent change	2.4	2.2	2.0
Civilian labor force	13,365	13,752	14,194
Percent change	2.8	2.9	3.2
Civilian employment	12,473	12,885	13,278
Percent change	3.4	3.3	3.1
Unemployment	892	867	916
Percent change	−4.6	−2.8	5.6
Unemployment rate	6.7	6.3	6.5
Nonagricultural wage and salary employment	11,249	11,592	11,928
Percent change	2.5	3.0	2.9

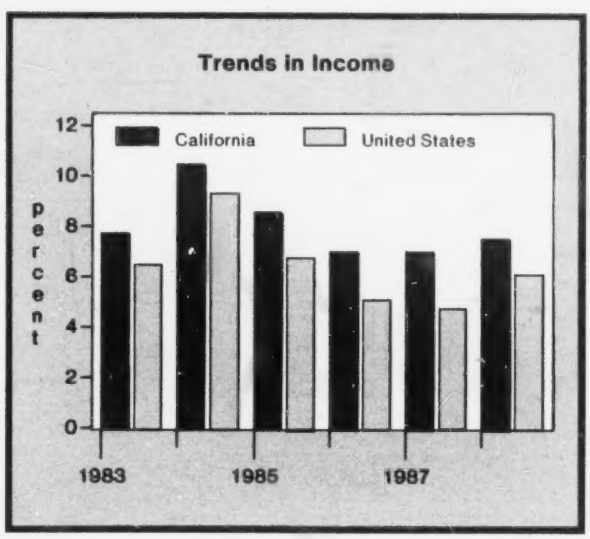
population growth and migration patterns.

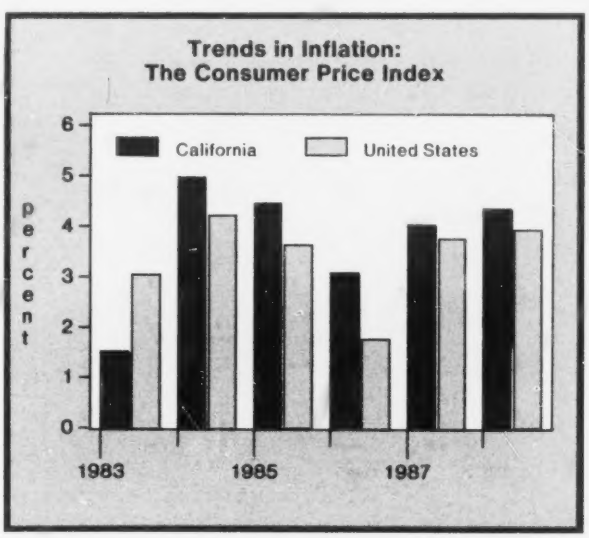
The forecast for 1987, shown in Table I-2, calls for steady expansion in both the labor force and employment, with the unemployment rate averaging 6.3 percent for the year.

The historical figures for the labor force, civilian employment and unemployment are derived from a survey of approximately 4,000 households in the State, and reflect the actual number of individuals working or actively seeking work. The nonagricultural wage and salary data, in contrast, are based on a sample of 22,000 employers. This sample covers virtually all the large employers in the State and fairly good representation from middle-sized firms. Sampling of small firms is more difficult, and they therefore tend to be underrepresented.

This establishment series, as it is known, is actually a job count. Workers holding more than one job will be counted by each employer. Multiple jobholding is estimated at a fairly constant 5 percent of the total.







The data are adjusted quarterly to the totals derived from complete reporting of employees. This series, referred to as the Interim Series on Employment, is adjusted every three months to bring it toward the actual level which has been reported by business firms. It will therefore differ from the official establishment series published by the U.S. Bureau of Labor Statistics, since that series is updated to a new benchmark only once a year.

All the industry employment data shown in this report for the latest year are on this more current basis.

The chapters which follow discuss recent trends as well as the outlook for specific sectors in more detail. Additional information is available on request from the California Department of Finance, Economic Research Unit.

II. The Consumer Sector

Trade and Services

Consumers have been the driving force behind the current expansion. Consumption expenditures account for about two-thirds of economic activity as measured by the Gross National Product. Consumer spending in California has continued to increase, although gains in the latest year were down considerably from those recorded during the earlier recovery years. The 4.9 percent rise in retail trade reported by the Census Bureau for the State is the lowest since 1982 despite good income gains. Even so, California continues to account for more than 12 percent of all retail sales nationwide. Two factors were at work holding down consumers' income during the past year: declining interest rates, which effectively reversed the historically strong growth in interest income, and low inflation rates, which held down growth in areas with automatic escalation clauses.

Overall, however, the California consumer was again in the forefront of the economy, providing a strong support for expansion.

Retail Trade. There are at least two factors accounting for the somewhat sluggish performance during 1986. Sales patterns were uneven throughout the year, with the first half considerably softer than the last half. This situation mirrored national trends, with auto sales incentives a major factor in the level of sales. Another consideration is the overall level of inflation in the retailing sector. Prices of soft goods, in particular, were virtually unchanged in 1986. Sales gains therefore represented largely real increases. Finally, income growth was slower than in earlier years, tending to hold spending down. The overall sales picture was, therefore, quite good for this stage of the business cycle.

TABLE II-1
RETAIL TRADE BY CATEGORY
(in millions)

	1986	*Percent Change*
Bureau of the Census		
Total Retail Trade	$177,444	4.9
California Board of Equalization		
Total taxable sales	$217,465	4.3
Retail	141,880	4.4
General Merchandise stores	23,099	5.6
Apparel stores	7,089	8.5
Specialty stores	16,298	4.2
Eating and drinking group	18,182	5.6
Food and Liquor stores	14,704	2.2
Home furnishings, appliances	7,280	9.0
Building material group	10,265	13.0
Farm equipment	2,649	4.1
Automotive group	42,313	0.8
New car dealers	24,256	11.6
Gasoline service stations	11,613	−18.0
Nonretail	75,586	4.0

Information on retail sales for the State comes from two sources. The U.S. Bureau of the Census series is based on a sample of retailers around the Nation, covering both goods and retail services. Detailed information on specific categories of sales is not available, however. The second source is the California Board of Equalization. The Board receives quarterly data on all sales subject to the sales and use tax. These are published by type of store, which permits analysis of individual sectors. The major omissions from this series are food,

prescription drugs and services, which are nontaxable.

Taxable sales data indicate a slightly different trend from the Census Bureau series. Taxable sales were up 4.3 percent in 1986 to $217 billion. The Census Bureau series indicates retail trade was up 4.9 percent to $177.4 billion. The retail component of the taxable sales series was up 4.4 percent.

Sales are dominated by a few major categories. One of the most important is the automotive sector. As might be expected, car sales in California last year were up strongly, as consumers responded to price and financing incentives offered by the industry. New car registrations, a proxy for sales, increased more than 12 percent. This figure does not fully reflect sales gains, however, since vehicles purchased in the last few days of 1986 to take advantage of the final days of the sales tax deduction were actually picked up in registration data for January 1987. Preliminary data indicate a sales gain of 11.6 percent for car dealers last year. The $24.3 billion total accounted for approximately 17 percent of all taxable retail sales.

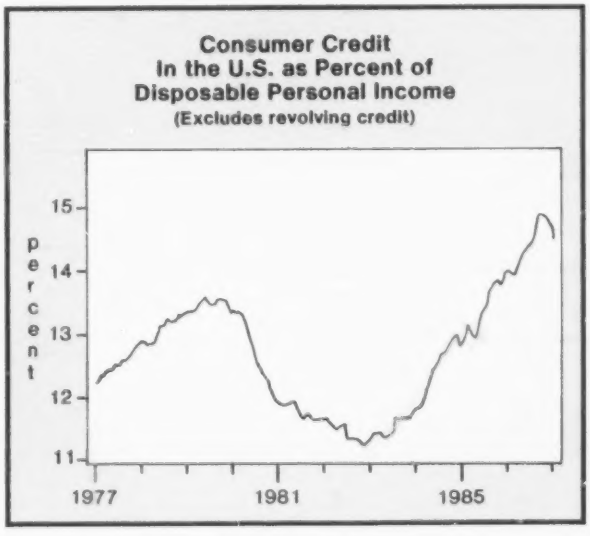
A related sector experienced a far different trend. Gasoline dealers saw sales shrink by 18 percent. The average price of gasoline in the State fell from $1.20 per gallon as of December 1985 to 83 cents by December 1986. The lower price did stimulate additional driving: the volume of gasoline sold rose 4.5 percent over the year to a record 12,272 million gallons. This level surpassed the previous high set in 1978, when sales were at 11,878 million gallons.

The construction industry supported sales of building materials dealers. This component, which represents roughly 7 percent of taxable retail sales, was up 13 percent in 1986, reflecting the strong housing market and ongoing work on nonresidential projects.

The two areas of softness were in apparel and general merchandise stores. Reports from the industry suggest a pause during the first months of 1986. This was not overcome until the fourth quarter. In fact, there were concerns during those early months that the consumer was entering a period of retrenchment, which would sharply curtail activity. This lethargy was shaken off late in the year, however, with sales picking up across a broad range of merchandise lines and types of stores.

The two areas that continued unabated were specialty stores and the restaurant business. Each of these general categories has seen steady growth, due in part to changing demographic patterns. This includes the growth in two earner households which increases discretionary income for a large number of consumers.

The steady volume of sales activity was reflected in industry wage and employment figures. From 1985 to 1986, retail trade employment was up 3.2 percent, compared to only a 2.5 percent growth in total nonfarm wage and salary employment. Retail trade employment accounts for one out of every five jobs in California, making it the most important industry after the services sector. Average wages in retail trade increased 3.9 percent last year. This was a slightly lower increase than in prior years, reflecting both the relative containment of inflation and an increasing use of part-time workers in many retail establishments.



Consumer Credit. The sustained growth in retail sales was supported in large part by consumer credit. Doubts about the strength and durability of consumer spending have centered on the amount of debt held by consumers in relation to income. Since the end of the last recession in late 1982, consumer installment debt has grown more than during any other postwar expansion, with the ratio of debt to income reaching new highs in 1986. How much higher debt ratios can climb before consumers retract is a concern, given the important role consumer spending has played in the economy.

Unfortunately, it will be difficult to monitor the debt situation from this point on given the increasing reliance on home equity loans rather than the more traditional forms of consumer debt. In effect, consumer installment debt ratios may decline while the overall debt burden for consumers is rising. Available data do not yet permit the separation of home equity loans from overall mortgage figures.

There are various reasons to discount the importance of the growth of debt. One reason is that credit cards have been used increasingly as a transactions medium, rather than as a debt medium. To the extent that this type of "convenience credit" is repaid in full the next month, the debt situation is overstated. The Federal Reserve Board estimated earlier that approximately 40 percent of such revolving credit was paid off within the month.

Another reason total consumer installment debt provides a misleading picture is that loans have lengthened over time. For example, five-year auto loans are now quite common. The total amount of interest to be paid on a loan is built into the debt total when the transaction is made. This has the effect of increasing debt sharply, even though monthly payments may be less than for shorter loans. As long as monthly payments are manageable, the credit situation poses no problem.

Concerns that the consumer is already over-extended, therefore, are balanced by arguments that there is still plenty of room for expansion. As long as employment grows steadily, personal income continues to make gains, and monthly payments can be met, debt ratios will not be a negative factor.

Services. The major omission from sales data is services. The Bureau of Economic Analysis estimates that services account for more than half of all consumer spending nationally. A large part of this relates to housing and rental costs, which are moderately higher in California than elsewhere in the U.S. The purchase of other services is often a discretionary item, however, closely tied to income levels. The fact that average incomes in California are higher than in most other states virtually guarantees a greater emphasis on services.

TABLE II-2
SERVICES EMPLOYMENT GROWTH IN 1986
(percent)

Total Services	3.9
Hotels and other lodging places	4.2
Personal services	0.8
Business services	7.8
Auto and miscellaneous repair services	−0.2
Motion pictures	3.9
Amusement and recreation services	7.2
Health services	2.5
Other service industries	2.4

Source: California Employment Development Department.

There are several reasons why the consumption of services is so high in California. A higher level of discretionary income leads to a higher consumption of services as

TABLE II-3
EMPLOYMENT GROWTH IN SOME MAJOR COMPONENTS OF SERVICES
(thousands)

	Business		*Health*		*Miscellaneous*	
	Annual average	*Percent change*	*Annual average*	*Percent change*	*Annual average*	*Percent change*
1976	290.6	8.0	446.3	4.1	499.0	4.6
1977	323.8	11.4	471.2	5.6	528.7	6.0
1978	373.4	15.3	502.7	6.9	578.3	9.4
1979	424.5	13.7	527.3	4.9	612.1	5.8
1980	456.9	7.6	553.7	5.0	638.2	4.3
1981	476.1	4.2	583.3	5.4	650.6	1.9
1982	472.5	0.8	600.2	2.9	653.3	0.4
1983	516.6	9.3	606.0	1.0	660.8	1.1
1984	606.5	17.4	616.7	1.8	700.8	6.1
1985	641.6	5.8	646.9	4.9	743.2	6.1
1986	691.6	7.8	663.1	2.5	761.4	2.4

Source: California Employment Development Department.

TABLE II-4
AVERAGE WAGES IN THE SERVICES SECTOR

	Third Quarter 1986	*Third Quarter 1985*	*Percent change*
Total Services	$50,248	$48,164	4.3
Hotels other lodging	28,714	30,560	−6.0
Personal services	27,289	27,861	−2.1
Business services	35,228	47,324	−25.6
Auto and miscellaneous repair services	45,939	45,124	1.8
Amusement and recreation	36,504	37,180	−1.8
Health services	58,827	55,603	5.8
Legal services	82,645	75,145	10.0
Educational services	38,624	38,259	1.0

Source: California Employment Development Department.

opposed to goods. The growing number of two-earner households has produced a lifestyle in which more services are demanded. Higher income levels in combination with the fact that time is often at a premium have increased the demand for services which were performed by the household in the past. There is also increased emphasis on leisure activities and travel. This is illustrated by the fact that employment gains in the hotel-motel and recreation services categories were far above the average gains for all service sectors.

The services industries continued to make strong gains in 1986. Although growth has slowed gradually since 1984, services are still among the faster growing sectors, outpaced only by construction and finance last year. In terms of employment, services were up 3.9 percent in 1986.

Performance of the services sector is important because it employs more people than any other industry, accounting for one-fourth of the jobs in the State. The services share of total employment has increased gradually over the last two and one-half decades from 14.2 percent in 1960 to 24.4 percent in 1986.

This steady increase in employment share has been the result of technological developments as well as lifestyle changes. The growing specialization of many accounting, computer and other business-type services was responsible for the increased share of employment attributed to services for two reasons. First, purely as a result of technological advancement, more of these services are available. Second, the trend toward specialization has resulted in faster growth in services relative to goods-producing industries. For example, in manufacturing many "nonmanufacturing" duties of a firm, such as accounting and personnel work, are contracted out to these specialized business services companies.

Within the sector, 75 percent of the jobs are in business, health and miscellaneous services. Historically, health services had employed

TABLE II-5
DOMESTIC TRAVEL EXPENDITURES AND TRAVEL-GENERATED PAYROLL, EMPLOYMENT, AND TAX RECEIPTS IN CALIFORNIA, 1980–1985

	1980	*1981*	*1982*	*1983*	*1984*	*1985*
Expenditures						
(billions)	$21.2	$22.9	$24.2	$25.7	$28.6	$32.2
% change	n.a.	8.0	5.6	6.0	11.2	12.7
Payroll						
(billions)	$4.6	$4.9	$5.3	$5.6	$6.3	$7.1
% change	n.a.	8.3	6.8	6.7	11.2	13.2
Employment						
(thousands)	445.6	448.2	462.2	460.7	502.9	539.8
% change	n.a.	0.6	3.1	−0.3	9.2	7.3
State Tax Receipts						
(millions)	$770.0	$806.1	$836.8	$888.9	$977.1	$1,092.5
%change	n.a.	4.7	3.8	6.2	9.9	11.8
Local Tax Receipts						
(millions)	$364.3	$399.3	$449.5	$463.4	$532.5	$622.6
% change	n.a.	9.6	12.6	3.1	14.9	16.9

n.a.: Not available.
Percent change calculated from unrounded data.
Source: U.S. Travel Data Center; California Department of Commerce.

more people than business services. However, the surge in business services over the past four years boosted this category to surpass health services for the first time in 1986.

Income gains last year also differed markedly within the services sector. The average wage for the entire sector was up 4.6 percent. Actual wage and salary data through the third quarter of 1986 show average wages for health services increased 5.8 percent from third quarter 1985 to third quarter 1986. In auto and miscellaneous repair services, average wages were up only 1.8 percent. For business services they actually declined 25.6 percent due to the tremendous increase in jobs in that category.

The service industries have traditionally had the reputation of being relatively low paid. Such a generalization does not allow for the wide range in activities covered under the broad 'services' classification, and for such factors as the use of part time, as opposed to full time, workers in some activities. Legal services have average wages of approximately $82,600. At the other end is the personal services sector, with wages at an average $27,300. This comparison is only a rough guide to the differences which exist, since within each category there are widely divergent wage levels.

Tourism. Jobs in the tourism industry are heavily concentrated in the retail trade, services and transportation sectors. Data from the U.S. Travel Data Center illustrate the scope of the tourism industry, its role in job creation in the State and its potential for further development.

The U.S. Travel Data Center recently released statistics for 1985, which indicate that California was once again the number one destination for travel by U.S. residents.

During the year U.S. residents spent $32.2 billion traveling to and through California. International visitors spent an additional $3 billion. Estimates of the impact of domestic travel on the state's economy indicate that almost 540,000 jobs were supported by travel expenditures in 1985. Travel spending also generated an estimated $1.1 billion in state tax receipts and $622.6 million in local tax receipts.

Domestic travel expenditures were up 12.7 percent in 1985, the biggest increase since these statistics have been estimated and significantly larger than the growth nationwide. In real terms, travel spending in California increased 7.9 percent.

Travel expenditures cover a wide range of services from air transportation to builders of vacation homes. Transportation is the largest category, accounting for almost 45 percent of the total. Expenditures for food service are the next largest, followed by lodging. These estimates include spending by both business and pleasure travelers. In 1985, business travelers accounted for about 25 percent of the trips taken to and through California, and almost 30 percent of the travel expenditures.

TABLE II-6
DOMESTIC TRAVEL EXPENDITURES IN CALIFORNIA BY EXPENDITURE CATEGORY, 1985
(millions of dollars)

Category	*Expenditures*
Food service	$8,155.4
Lodging	4,866.4
Transporation	14,410.2
Entertainment/recreation	2,262.8
Incidentals	2,495.9
TOTAL	$32,190.8

Employment opportunities in the travel industry range from unskilled to highly technical. Nearly half the jobs generated by travel spending are in food service—252,511—with lodging establishments employing 86,105 and air transportation companies with 68,144. In addition these expenditures support over 25,000 travel agents.

Since California is so diverse, it is interesting to look at some of the regional impacts of the tourism industry. The highest concentration of travel activity continues to be in the major metropolitan areas of the State, with three-fourths of all visitor expenditures occurring in Los

TABLE II-7
TRAVEL-GENERATED EMPLOYMENT

Eating and drinking places	252,511
Hotels, motels, and other lodging places	82,685
Camps and travel parks	3,420
General residential contractors and operative builders	10,504
Air transportation	68,144
Taxicabs	6,109
Gasoline service stations	18,406
Automotive dealers	1,343
Auto rental	6,108
Intercity highway passenger transportation	2,438
Rail passenger transportation (AMTRAK)	2,048
Travel arrangement	25,116
Amusement and recreation services	38,571
General merchandise and misc. retail stores	22,446
Total	539,849

Angeles, San Mateo, San Francisco, San Diego, Orange, Santa Clara, and Alameda counties. This concentration is due to various factors. The urban areas are centers for commercial activity and therefore attract significant numbers of business travelers. In addition, one-third of the trips taken to and through California are taken for the purpose of visiting friends and relatives. Since the urban areas are by definition centers of population, they naturally attract travelers visiting friends and relatives. Urban areas also offer a wide range of attractions and activities which draw out-of-state visitors in particular.

The larger urban counties are not the fastest growing in terms of travel business, however. Alpine County, with a population of only 1,200, took top honors for growth in 1985 with a gain of 37 percent. This was followed by Nevada, up 33 percent, and Santa Cruz with a nearly 32 percent rise. These are exceptions to the overall pattern for rural as opposed to urban counties. Taken as a group, travel expenditures in the less densely populated counties grew by 11.9 percent in 1985, while the seven largest counties mentioned above grew by 13 percent. The data for individual counties should be taken as a general indicator of the magnitude of travel business in an area. Precise data are not available. Estimates are derived from a number of sources and subject to interpretation on what is or is not travel related.

Industry indicators available to date confirm that tourism activity was again up in 1986, with moderate to strong growth experienced in most categories. This continues the upward trend of recent years, reflecting the continuing growth in the general economy.

TABLE II-8
THE OUTLOOK FOR TRADE AND SERVICES

	1987	% change	1988	% change
Employment (Thousands)				
Trade	2,806	3.6	2,909	3.7
Wholesale	714	3.0	737	3.3
Retail	2,092	3.9	2,172	3.8
Services	2,864	4.2	2,975	3.9
Business services	753	8.8	795	5.6
Health services	685	3.2	711	3.9
Auto services	166	2.4	172	3.4
All other	1,260	2.4	1,297	2.9
Average wages				
Trade	$17,634	4.0	$18,364	4.1
Services	$23,003	4.8	$24,175	5.1
Total wages and salaries (billions)				
Trade	$49.5	7.8	$53.4	8.0
Services	$65.9	9.2	$71.9	9.2

The number of jobs in tourism-related industries rose substantially faster than in the economy as a whole. As already noted, employment in hotels and other lodging places increased 4.2 percent in 1986, while employment in amusement and recreation services was up 7.2 percent. Total nonagricultural industry jobs were up only 2.5 percent by comparison.

Demand for lodging was strong in 1986. However, tremendous increases in the supply of hotel rooms led to lower occupancy rates in many regions. Hotel construction reached a record $1 billion in 1985. New hotel construction in 1986 was held to just under $1 billion. The need to fill existing rooms and recent changes in Federal tax law will slow construction further in 1987, allowing occupancy rates to firm.

Transportation indicators were up over the previous year with especially impressive gains in air passenger arrivals. Los Angeles and San Francisco airports reported 9.8 and 11.9 percent increases, respectively, in domestic passengers. Foreign arrivals posted similar gains. Automotive travel benefited from falling gasoline prices. Inbound border traffic increased 9.7 percent, and state highway mileage increased 5.7 percent.

Travel inquiries were up significantly in 1986 as a result of "The Californias" marketing campaign. Beginning in March 1985, California embarked on a tourism advertising campaign designed to attract out-of-state visitors and to induce Californians to travel within the State. Recognizing that Californians are more likely to visit the rural regions than are out-of-state visitors, the California marketing program has run television advertising in the major urban areas featuring several tourism regions: the Deserts, the Delta, the Shasta-Cascade, the Redwoods, the Gold country and Orange County. Extra effort to have Californians vacation in the State may boost the share of travel dollars spent in some of these outlying areas.

The program, featuring the theme "The Californias", incorporates television commercials, outdoor billboards, and print ads. The program theme recognizes the diversity of the State and uses that diversity as an additional incentive

for travel in the State. The primary components of the marketing plan are

- A magazine advertising campaign featuring the different regions within "The Californias";
- Target marketing in selected out-of-state markets using television advertising and other promotional activities;
- An in-state television campaign to encourage Californians to vacation in California, particularly in rural regions;
- A private sector cooperative advertising and promotion program;
- A public relations plan that supports the overall marketing effort; and
- A program to respond to inquiries with materials that further promote travel to all regions.

By January 1987, the California Office of Tourism had responded to a record number of requests for information about tourism in the State. A survey of people who requested information in response to the marketing effort during the first three months of the campaign found that 60 percent actually took a trip in California within a 12-month period.

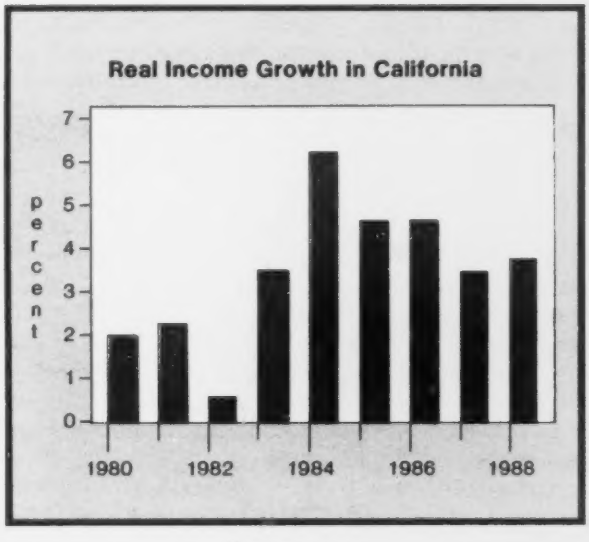
Preliminary estimates by the California Department of Commerce indicate that pleasure travel expenditures increased 3.6 percent in 1985 as a result of the advertising campaign. With an upward trend in tourism indicators in 1986, and a favorable economic outlook, the prospects for California's travel industry are for further growth in 1987.

Outlook. Recent trends in employment and income suggest that 1987 will again see solid gains in consumer-oriented industries. Employment growth in the retail trade and service sectors is expected to continue to exceed the average for all other sectors. Wages and salaries will again increase moderately.

TABLE II-9
CALIFORNIA PERSONAL INCOME IN 1986
(dollar amounts in billions)

	Amount	*Percent change*
Total	$452.5	6.8
Wages and salaries	269.3	7.4
Other labor income	27.6	8.2
Proprietors' income	39.2	7.4
Farm	3.4	−7.7
Nonfarm	35.7	9.2
Interest	59.7	–
Dividends	10.2	7.8
Rent	5.9	100.1
Transfer payments	60.4	6.7
Less: Contributions for social insurance	19.8	10.6
Residence adjustment	0.1	1.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis (1985)
California Department of Finance (1986 estimate)



Income

Recent Trends. On a national basis there are many indicators available to measure the performance of the economy. Data are collected regularly to monitor the economy through broad measures such as gross national product, industrial production and durable goods orders. At the state level, however, data are much more limited, and aggregate measures of the performance of the State are difficult to estimate. Reliable information on personal income is available though, and this provides a good overall indicator for the California economy. It also facili-

tates comparison of California with other states and the nation.

Income growth has slowed considerably since 1984 when the current economic expansion was at its strongest. However, income does continue to make substantial gains. Personal income in California was up 6.8 percent in 1986 to $452.5 billion. At this level it represented 13 percent of the national total. The growth rate in California compares favorably with the 5.2 percent gain in the U.S. Per capita income was up to $16,772. The 4.4 percent increase in this series was the slowest since 1982, and reflected the impact of inflation being brought under control.

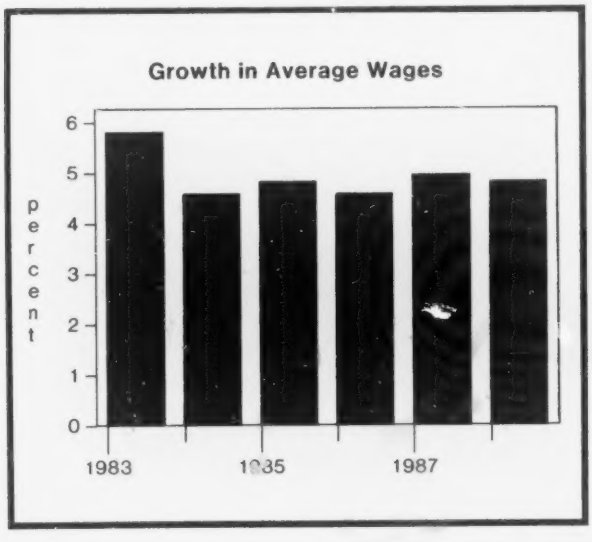
On a real, or inflation adjusted basis, the gains held up well. Real income compensates for price changes; it is therefore a better measure of purchasing power. Various indexes are used to deflate personal income. The two most popular are the consumer price index and the personal consumption expenditures (PCE) deflator. The drawback to the CPI is that it is based on a fixed market basket of goods and services. The PCE deflator, in contrast, reflects actual consumption patterns rather than a fixed market basket. The Department of Finance uses the PCE deflator for all calculations of real personal income. On this basis, real personal income was up 4.6 percent. In the last decade, only four years—1977, 1978, 1984 and 1985—exceeded that rate of gain.

Wages And Salaries. Income growth is typically determined by the growth in wages and salaries which account for about 60 percent of all personal income. Last year this component rose to $269.3 billion. This 7.4 percent increase reflected an employment increase of 2.5 percent, and an average wage gain in nonagricultural industries of 4.9 percent. Average wages differ considerably by sector, in both level and growth rate. Most notable was the 11.2 percent increase in average wages in the finance sector. This was due in large part to the surge in stock market activity. Data on the commodity brokers sector show a 100 percent increase for average wages for the first half of 1986, which can be attributed to commissions resulting from the volume of trading activity and the substantial gain in market price indexes.

Average wages in mining were up nearly 7 percent. This gain may not be entirely accurate, however. The industry experienced substantial layoffs associated with declining oil prices and cutbacks in petroleum extraction activities. To the extent that those laid off were at the lower end of the seniority and wage scale, the average was artificially raised. The 2.5 percent increase in average wages in the construction sector reflects just the opposite situation. Typically, when the industry is in a surge, such as was the case in California in 1986, the large number of workers being hired to meet demand holds down average wages.

In general, though, it was the low rate of inflation that held average wage increases down significantly from those of the past, continuing the trend toward containment in the growth in average wages which began in 1983. As recently as 1981, average wages were rising in the 9 to 10 percent range.

A look at collective bargaining information for the last few years reveals some interesting developments in wage negotiations. One significant change which deserves mention is the continuing growth of two-tier wage systems. In 1985 approximately 24 percent of all



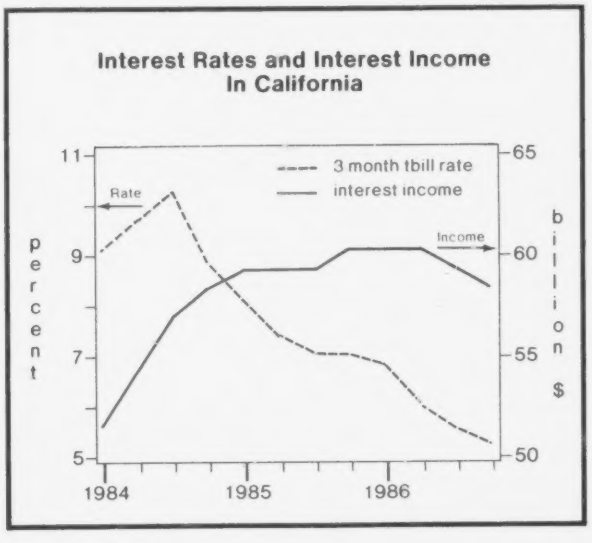


TABLE II-10
AVERAGE WAGES BY INDUSTRY, 1985 AND 1986

	1985		1986	
	Average wage	*Percent change*	*Average wage*	*Percent change*
Mining	$34,598	0.8	$36,995	6.9
Construction	26,118	1.7	26,779	2.5
Manufacturing	25,891	6.9	27,036	4.4
Transportation-Utilities	28,224	3.8	29,468	4.4
Trade	16,325	4.3	16,954	3.9
Finance-Insurance-Real Estate	25,185	8.8	28,011	11.2
Services	20,997	3.9	21,962	4.6
Government	22,147	6.6	23,428	5.8
Federal	25,806	3.9	25,914	0.4
State and Local	21,282	7.4	22,855	7.4

Source: California Department of Finance

TABLE II-11
MAJOR CALIFORNIA WAGE NEGOTIATIONS IN 1987 [a]

Month	*Industry*	*No. of Workers*
January	*All industries*	*13,380*
	Transportation by air	5,490
February	*All industries*	*10,300*
	Motion picture production distribution, and services	3,300
March	*All industries*	*9,460*
	Radio broadcasting and television	3,800
April	*All industries*	*29,820*
	Professional, educational, and related services	10,600
	Canning and preserving	4,000
	Stone, clay, and glass products	3,900
May	*All industries*	*12,270*
	Printing and publishing	3,950
June	*All industries*	*27,230*
	Construction	9,000
	Laundering, cleaning and dyeing	5,500
	Professional, educational, and related services	3,500
July	*All industries*	*46,160*
	Aircraft and ordinance	20,700
	Construction	9,650
	Water transportation	6,100
	Motion picture production, distribution, and services	4,310
	Professional, educational, and related services	3,500
August	*All industries*	*62,590*
	Trucking and warehousing	4,000
September	*All industries*	*21,800*
	Eating and drinking places, hotels, and other lodging places	16,500
October	*All industries*	*4,300*
November	*All industries*	*3,200*
December	*All industries*	*33,130*
	Electric, gas, and sanitary services	17,670
	Transportation by air	4,350
	Business services and repair services except automobile	3,200
	TOTAL	273,640

[a] During the months specified, the individual industries listed have at least 3,000 workers involved in bargaining. The all-industries total includes all contracts covering 500 or more workers in each of the months specified.

Source: California Department of Industrial Relations

workers covered under major settlements were under the two-tier system. This type of wage structure is especially prevalent in the highly competitive retail food industry.

Another labor cost-cutting measure employers are using more frequently is bonuses in lieu of general wage increases. Lump sum payments help in the long term containment of costs because they are excluded when calculating the level of certain benefits, and do not raise the wage base from which future contracts are negotiated.

In total, more than 250 agreements covering approximately 700,000 employees were scheduled for negotiation in 1986. In the labor negotiations cycle, 1987 will be a light year. Some 273,640 workers are covered by 132 contracts up for negotiation this year.

Other Labor Income. Last year other labor income, which is primarily fringe benefits, was up 8.2 percent to $27.6 billion. Historically, this series has grown at a slightly faster rate than wages and salaries. This has come about with the increasing emphasis on employer paid health plans and other benefits which are not taxable to the employee. Over the last 25 years, other labor income as a share of total personal income has increased from 2.6 percent to 6.1 percent. However, over the last six years the gap between the growth rates for other labor income and wages and salaries has narrowed considerably, reflecting a number of factors. Employees are more interested in cash raises since the inflation rate has come down. Also, the "cafeteria style" benefits plan, whereby individual employees choose the mix of benefits they prefer is becoming popular. Finally, business efforts to keep costs under control would result in more

prudent allocation of benefits to employees.

Proprietors' Income. Farm proprietors' income last year reflected problems in the nation's agricultural sector. Congress responded to the plight of debt-burdened farmers in December 1985 when it passed the Farm Subsidy Bill. This legislation, which created a five-year plan to bail out the Farm Credit System, was effective in 1986. However, the strategies implemented by the new law are mostly accounting measures to maintain the solvency of the system, and significant signs of recovery are not yet evident. If the credit and subsidy programs supported by this legislation are jeopardized, further deterioration in farm income would be expected. There are concerns that a Federal bailout of the Farm Credit System may be necessary to keep this from occurring.

Data on cash farm receipts show a slight loss of 0.2 percent from 1985 to 1986 for the state's farmers. Losses in California in the aggregate were not as significant as in other parts of the country. Overall, it is estimated that farm proprietors' income was down 7.7 percent in 1986, to $3.4 billion. The farm situation is discussed more fully in the Resources chapter.

Nonfarm proprietors, in contrast, saw a 9.2 percent rise in income, to $35.7 billion. Earlier data indicate two-thirds of income from this category is from the services sector, with retail trade and construction accounting for another 25 percent of nonfarm proprietors' income. These sectors were also the major growth industries in 1986.

Interest. Interest has historically been one of the faster growing components of income. However, this trend was disrupted in 1985 when interest rates began to decline. Further declines in 1986 led to an actual drop in interest income received by individuals: income from this source in the fourth quarter 1986 was actually down $1.8 billion from the fourth quarter 1985 level. This trend is not apparent from the annual data which shows interest growth to be flat for the year. Overall, the weakness in this income component was a major factor holding down the growth in total personal income.

Dividends. Dividends were up 7.8 percent last year to $10.2 billion. This strong showing was a reflection of the good performance of corporate profits in the preceding year. This was a considerably better year than in 1985 when dividends rose only 3.4 percent.

Rental Income. Rental income is a difficult series to interpret as well as estimate. It has two aspects: monetary rents and imputed rental income. The latter is a national income concept which imputes to the individual homeowner income equivalent to the difference between mortgage payments and the amount required to rent a comparable home. Measurement of this component, which accounts for about one-third of all rental income, is far from precise. It is subject to substantial year-to-year variations. Even though it represents a relatively small proportion of total personal income it can distort growth trends. Little importance should be placed on the doubling of this series to $5.9 billion in 1986, or on sharp declines which may well be reported in succeeding years.

Transfer Payments. The growth in transfer payments continues to show the containment of inflation. Many of the components of transfer payments are adjusted each year by indexes measuring inflation. Increases of 10 to 20 percent were common in the 1970s and early 1980s. In 1986 transfer payments were up only 6.7 percent to $60.4 billion.

The components in Table II-12 show widely divergent trends. Disability insurance was up nearly 30 percent last year. This unusually large increase was due to the final transition of claims affected by recent legislation which increased the benefit period from 39 to 52 weeks and increased the weekly benefit amount. Unemployment insurance was up 11.6 percent due to the large number of layoffs in the high technology areas. More people with high incomes lost their jobs—particularly in the hard hit Silicon Valley—and they qualified for the highest level of compensation available under the unemployment insurance program.

Contributions For Social Insurance. Contributions for social insurance, which include primarily individual payments for social security, unemployment insurance and disability insurance, are netted out of income from all

TABLE II-12
TRANSFER PAYMENTS BY COMPONENT, 1986
(in billions)

	Amount	*Percent change*
Total	$60.4	6.7
Social security and medicare	32.4	6.0
Unemployment insurance	2.3	11.6
Disability insurance	1.2	27.9
Veterans benefits	4.2	3.8
Government pensions	7.1	5.6
Food stamps	0.6	−1.6
Public assistance	6.9	6.5
All other	5.6	10.3

Source: California Department of Finance

TABLE II-13
PERSONAL INCOME IN CALIFORNIA, 1987 AND 1988

	1987		1988	
	Billions	*Percent change*	*Billions*	*Percent change*
Total	$483.3	6.8	$519.1	7.4
Wages and Salaries	290.1	7.7	313.1	7.9
Other labor income	29.9	8.4	32.4	8.1
Proprietors' income	43.1	10.1	46.9	8.6
Farm	3.3	−4.8	3.3	1.0
Nonfarm	39.9	11.5	43.6	9.3
Interest	60.5	1.4	64.8	7.1
Dividends	11.0	8.5	12.1	9.8
Rent	6.5	10.3	6.6	0.9
Transfer payments	63.6	5.4	67.4	5.9
Less: Contributions for social insurance	21.7	9.2	24.2	11.6

Source: California Department of Finance

TABLE II-14
PER CAPITA PERSONAL INCOME FOR CALIFORNIA COUNTIES, 1984

Marin	$22,650	San Joaquin	11,392
San Mateo	20,157	Kern	11,381
San Francisco	18,151	Stanislaus	11,294
Contra Costa	17,962	Mono	11,168
Santa Clara	17,577	Mariposa	11,060
Orange	16,877	Sutter	11,003
Napa	15,513	Mendocino	10,889
Santa Barbara	15,458	Humboldt	10,825
Alameda	15,415	Shasta	10,772
Sonoma	14,914	Lake	10,753
Los Angeles	14,526	Sierra	10,751
		Alpine	10,656
CALIFORNIA	14,471	Plumas	10,475
		Nevada	10,472
Ventura	14,336	San Benito	10,367
Monterey	14,058	Tuolumne	10,365
Santa Cruz	13,565	Butte	10,346
San Diego	13,474	Modoc	10,317
Placer	13,458	Siskiyou	10,176
Riverside	13,090	Kings	10,080
Sacramento	12,931	Imperial	9,981
Solano	12,904	Tulare	9,917
San Luis Obispo	12,630	Madera	9,888
El Dorado	12,228	Merced	9,873
Colusa	11,961	Lassen	9,757
Yolo	11,918	Tehama	9,707
San Bernardino	11,769	Del Norte	9,359
Inyo	11,709	Yuba	9,270
Amador	11,630	Calaveras	8,705
Glenn	11,438	Trinity	8,644
Fresno	11,397		

Source: U.S. Department of Commerce, Bureau of Economic Analysis

other sources. As with other labor income, contributions tend to rise faster than wages and salaries. For all of 1986, contributions were up 10.6 percent to $19.8 billion. This was moderately lower than the 14.4 percent growth in contributions in 1985, which was an unusually large increase due to changes in both the social security contribution rate and base in that year. The slowdown in the growth of wages and salaries also caused the gain in 1986 contributions to be less than in 1985.

Per Capita Income. Personal income for California is the largest of any state in the country, exceeding second place New York by 50 percent. This is not necessarily the best measure of a relative economic situation, however. Another indicator, per capita income, is a better series for evaluating the economies of different areas.

California has long been among the top states in per capita income. In 1985 the State ranked fifth or sixth in the nation, depending on whether or not Washington, D.C. was included, in terms of per capita personal income. These rankings can change slightly from one year to the next. Between 1984 and 1985 Massachusetts moved ahead of California in terms of per capita income. No significant change in these rankings is expected with receipt of the 1986 data.

Per capita personal income varies widely among California counties. The five counties with the highest per capita income are Marin, San Mateo, San Francisco, Contra Costa, and Santa Clara. In general, the suburban counties rank highest in the State, followed by the more densely populated urban areas. Income levels tend to be considerably lower in the outlying, rural counties.

The most current income data available for counties is through 1984. Normally the U.S. Bureau of Economic Analysis publishes new figures every spring. However, no new data will be released this year. The next figures will be out in 1988, and will include data for 1985 and 1986, along with revisions back to 1969 to tie the county data to the U.S. and California income revisions already released.

TABLE II-15
1985 PER CAPITA PERSONAL INCOME
TEN HIGHEST STATES

Alaska	$18,187
Washington D.C.	18,168
Connecticut	18,089
New Jersey	17,211
Massachusetts	16,380
CALIFORNIA	16,065
New York	16,050
Maryland	15,864
New Hampshire	14,964
Colorado	14,812

Outlook. California's economy appears to be outperforming the rest of the country so far in 1987. It is estimated that personal income in the State will rise by 6.8 percent in 1987 to $483.3 billion, compared with a 4.8 percent rise for the U.S. The strongest gains will be made in wages and salaries, other labor income and nonfarm proprietors' income. The outlook for 1988 is far more uncertain. With the assumption of a continuing moderate growth trend for the next two years, income is projected to rise another 7.4 percent in 1988 to $519.1 billion.

Per capita income should increase 4.8 percent to $17,572. At this level California would still place among the top six states in the Nation.

Inflation

Recent Trends. The curtailed rate of inflation during 1986 represented the continuation of a slowdown which began in 1981. An overall moderate rate of economic expansion and plunging oil prices contributed to an exceptionally low inflation rate last year. The gross national product deflator, which reflects price trends in the entire economy, increased by 2.6 percent in 1986—the lowest annual increase in more than two decades.

A look at the major components of the GNP deflator shows the divergent trends which exist. The fastest increases were in the consumption sector with respect to new cars and services. Residential and nonresidential structures also exhibited strong gains. Increases in the government sector were low. Actual declines were registered for furnitur and gas and oil prices. Table II-16 shows the broad inflation trend by sector for 1986.

TABLE II-16
TRENDS IN THE GNP DEFLATOR
(percent change)

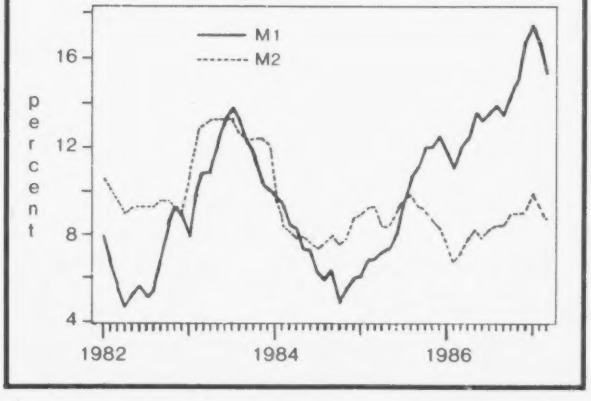
	1986	*4th Quarter 1986*
Gross National Product	114.4	2.1
Personal Consumption Expenditures	114.2	1.7
Durable Goods	105.3	1.6
Nondurable Goods	106.9	−1.4
Services	122.4	3.8
Nonresidential Business Investment	100.7	2.0
Structures	106.6	4.4
Producer's Durable Equipment	98.3	1.4
Residential Investment	111.8	3.5
Government	115.7	0.8
Federal	110.3	− 2.7
Defense	111.0	− 1.4
Nondefense	108.4	− 7.3
State and Local	120.1	3.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis

A more familiar measure of inflation, the Consumer Price Index (CPI), also reflected the moderation in prices which occurred during the year. The CPI is different from the GNP deflator in that it is based on a fixed market basket of goods rather than actual expenditures, and it specifically relates to personal consumption. The GNP deflator reflects price trends in the entire economy rather than just consumer expenditures.

Nationally, the consumer price index for all urban consumers rose a mere 1.9 percent in 1986. That was the lowest inflation rate since 1965, when prices rose 1.7 percent. Falling oil prices could be credited

Growth in the Money Supply
(Change from same month, previous year)



with this achievement. Crude oil prices fell dramatically in 1986, even dipping below $10 per barrel at one point. Had energy prices remained stable, the increase in the CPI would have been 3.2 percent.

Even apart from energy prices, the inflation picture is very favorable by historical standards. In a long expansion, such as the current one, inflation rates tend to pick up as operating rates rise and pressures on resources build. That has not occurred in this expansion, with the slowdown in growth relieving some of the pressures which may have been building.

The California CPI has also shown substantial improvement, although it continues to rise at a somewhat faster pace than the national index. Overall, the CPI for the State increased 3.2 percent in 1986. A comparison of December data for the past two years is more illustrative of the recent trend: an increase of only 2.1 percent was recorded.

All of these measures represent the sustained improvement in the rate of inflation which has resulted from the commitment by the Federal Reserve Board to noninflationary monetary policies over the past several years. There has been some concern recently that the rapid growth in M1 would lead to an acceleration in inflation in the near future. Monetary measures have been distorted by deregulation and falling interest rates which have removed the incentive to shift funds from demand-type accounts, included in M1, to savings accounts. The latter, in particular, has blurred the distinction between M1 and M2 accounts. The Federal Reserve Board has effectively abandoned M1 as a target, and is monitoring instead the behavior in M2 and M3. Both of these have stayed within target range in contrast to the excessive growth in M1. While some pick-up in inflation is likely to occur, it will not be an automatic fallout from the growth in M1 over the past year-and-a-half.

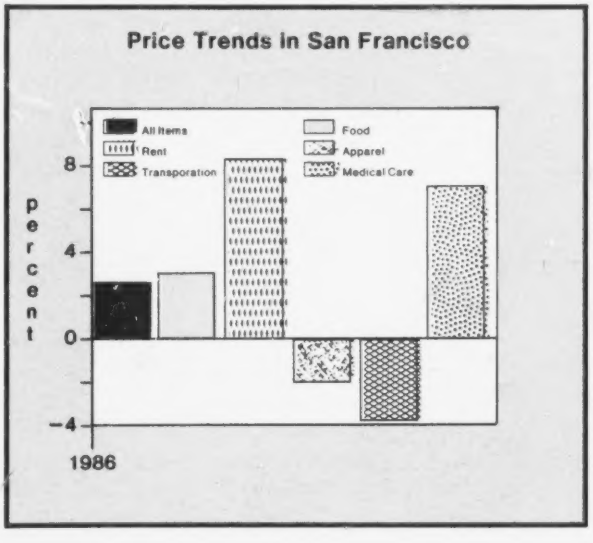
Progress against inflation has been reflected in various sectors. Average wage gains, for instance, have been moderate the past two years. Government payments to individuals which are automatically escalated by the rise in the consumer price index are also seeing only minor increases.

Although the broad measures of inflation indicate overall control,

TABLE II-17
MONTHLY TRENDS IN THE CONSUMER PRICE INDEX, 1986
(percent change from same month, prior year)

	U.S.	*California*	*Los Angeles*	*San Francisco*	*San Diego*
January	3.9	—	4.4	—	4.9
February	3.2	4.0	4.0	3.8	—
March	2.3	—	4.3	—	2.7
April	1.6	3.1	3.5	2.7	—
May	1.6	—	3.2	—	2.9
June	1.7	3.5	3.8	3.2	—
July	1.6	—	3.0	—	2.8
August	1.6	2.4	2.2	2.9	—
September	1.8	—	3.3	—	2.3
October	1.5	3.0	3.1	3.3	—
November	1.3	—	2.7	—	2.2
December	1.1	2.1	2.1	2.1	—

Source: U.S. Bureau of Labor Statistics and California Department of Industrial Relations



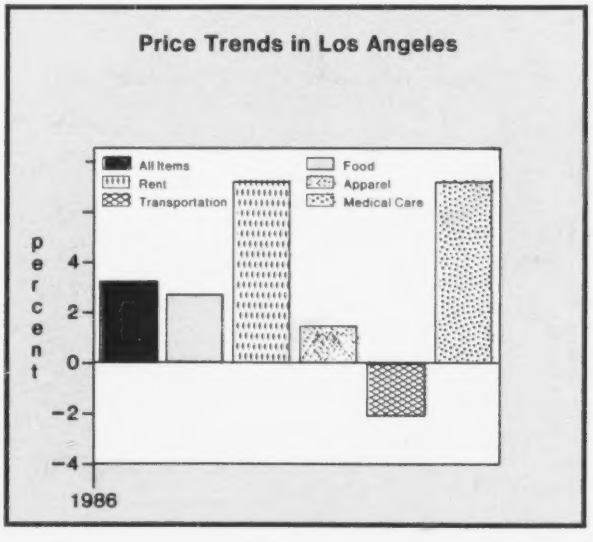


TABLE II-18
TRENDS IN THE CONSUMER PRICE INDEX, 1986
(percent change)

	U.S.	*Los Angeles*	*San Francisco*	*San Diego*
All Items	1.9	3.3	3.0	2.8
Food and Beverages	3.2	3.0	3.4	3.7
Food	3.2	2.9	3.3	3.7
Housing	2.9	5.8	5.7	4.9
Shelter	5.5	7.1	8.1	7.6
Homeowners' Costs	5.6	7.4	9.3	7.7
Residential Rent	5.8	7.1	8.3	7.7
Fuel and Other Utilities	−2.3	3.0	−0.5	−1.9
Household Furnishings	1.3	2.9	2.5	−0.2
Apparel and Upkeep	0.9	1.8	−1.8	1.3
Transportation	−3.9	−2.1	−4.0	−3.4
Private	−4.7	−2.8	−4.9	−3.9
New Cars	4.3	—	—	—
Gasoline	−21.9	−20.4	−21.5	−19.5
Public	5.9	10.0	6.0	3.9
Medical Care	7.5	7.1	7.7	7.4
Entertainment	3.4	2.0	8.1	4.1
Other Goods and Services	6.1	6.1	5.9	3.7
Special Indexes				
Commodities	−1.0	−0.5	−0.9	−0.7
Commodities less food and beverages	−3.6	−2.8	−3.8	−3.6
Services	5.0	6.6	6.5	6.1
Services less rent	4.6	6.1	5.2	4.3

Source: U.S. Bureau of Labor Statistics

individual components of indexes reveal significantly different trends. Generally, prices of goods have shown little increase over the last two years. In fact, goods prices in 1986 were down 1 percent nationally, and down between 0.5 and 0.9 percent in the State. Service prices exhibited quite a different trend. Services increased 5 percent in the U.S., and were up about 6 1/2 percent in the regions surveyed in California. In general, inflation rates did not vary too widely among the areas in the State.

Food prices increased moderately in 1986. Overall, they rose by less than 4 percent in all three survey regions in California. Prices for meats, poultry, fish and eggs declined in the first part of the year, then accelerated rapidly during the last half. Dairy product prices fell throughout the year, while fruit and vegetable prices increased moderately.

Energy-related items registered an actual decline over the year. Prices for fuel and other utilities declined by 2 percent and 0.5 percent in San Diego and San Francisco, respectiveiy. In Los Angeles they rose 3 percent. The transportation index fell between 2 and 4 percent in all three areas of California.

Historically, apparel prices have shown moderate increases compared to most other CPI components. This was again the case in 1986. During the year prices for clothing rose by less than 2 percent in San Diego and Los Angeles. Prices actually fell 1.8 percent in the San Francisco region.

Two elements continue to apply upward pressure on the index—

TABLE II-19
INFLATION IN 1987 AND 1988
(percent change)

	1987	1988
GNP Deflator	2.8	3.5
Personal consumption expenditures	3.5	3.6
Business fixed investment	1.5	1.6
Residential investment	3.9	2.4
Government purchases	3.8	4.3
State and Local purchases	4.8	4.9
Consumer Price Index		
United States	3.7	4.0
California	4.2	4.4
San Francisco	3.5	4.6
Los Angeles	4.4	4.3

medical care and shelter costs. Last year the rate of inflation of health care prices rose to more than 7 percent in all three survey areas in California. Medical care prices were still accelerating at the end of 1986. This trend was not unique to California. It has also occurred in the rest of the country.

Residential rents and homeowners' costs grew very rapidly, rising between 7 and 8.5 percent in the survey areas. Homeowners' costs accelerated even more sharply, with an almost 10 percent rise. Housing costs have been gaining more rapidly in California than in the U.S. By the end of 1986, though, increases in California were moderating.

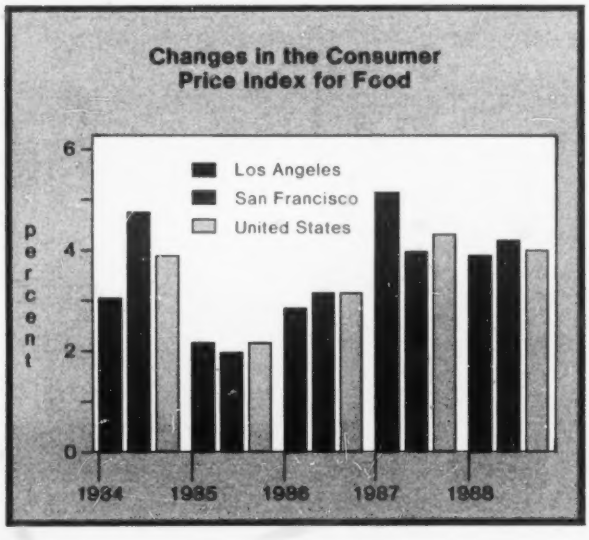
CPI for Wage Earners. The California Consumer Price Index for urban wage earners and clerical workers (CPI-W) rose 2.8 percent in 1986, slightly less than the 3.2 percent change in the CPI for all urban consumers (CPI-U). The difference in the California CPI-U and CPI-W was due to differences in the rates of change for transportation, medical care and entertainment.

The Outlook For Inflation. The outlook for inflation over the next two years depends largely on four factors:

- the value of the U.S. dollar and its impact on import prices;
- the strength of demand;
- monetary policy with a continuing emphasis on the control of inflation; and
- oil prices.

Crude oil prices had started to firm a bit by the end of last year. Prices for gasoline and other fuels are expected to stabilize in 1987 and 1988 as crude prices fluctuate between an expected $16 and $18 per barrel. The possibility remains that prices could fall below this range if OPEC is unable to maintain strict limits on production. This stabilization of energy prices alone will raise inflation from the 1986 rate. But as long as there are no unforeseen political or international events which cause oil prices to surge, inflation should still remain under control.

Given the assumptions of firming oil prices and a monetary policy committed to keeping inflation under control, the outlook for inflation looks good. The California forecast calls for inflation rates of 4.2 and 4.4 percent in 1987 and 1988, respectively. Table II-19 summarizes infla-



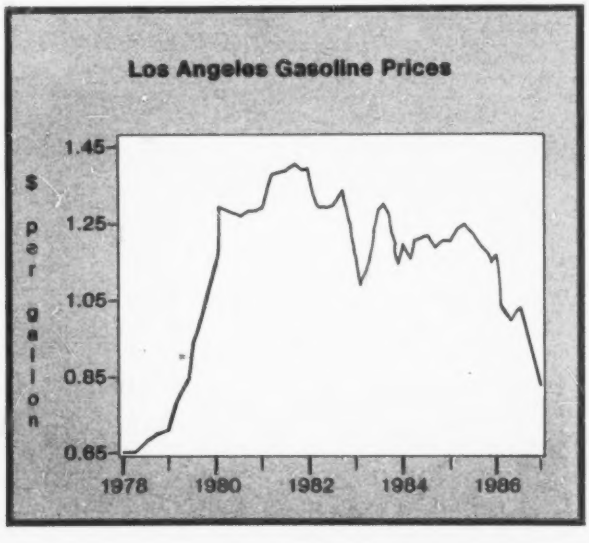


TABLE II-20
RELATIVE IMPORTANCE OF MAJOR COMPONENTS OF THE U.S. CONSUMER PRICE INDEX

	New weights	*Old weights*
All Items	100.000	100.000
Food	16.246	18.513
Food away from home	6.272	6.133
Residential rent	6.094	6.354
Homeowners' costs	19.600	14.417
Fuel and other utilities	7.909	8.081
House furnishings	4.447	3.744
Apparel and upkeep	6.335	5.016
Transportation	17.217	21.387
New cars	4.550	3.433
Motor fuel	2.903	5.469
Medical care	5.420	6.450

tion forecasts prepared by the Department of Finance.

Technical Updates

Changes in Reporting and Compilation of the Consumer Price Index. The U.S. Bureau of Labor Statistics began publication of a revised CPI effective with the release of the data for January 1987. Since the CPI is based on a fixed market basket of goods, periodic revisions are necessary to keep it current. Substantial changes in what consumers buy have taken place since the last major revision in 1978. For instance, the number of multiple-earner households has increased dramatically in the last decade. Advances in technology have introduced new items in the marketplace. In addition, both the average age and the geographic distribution of the population have changed. These factors have resulted in changes in the proportion of household budgets spent on various items.

The revision accomplished three main objectives. First, it introduced a new market basket of goods based on 1982–84 spending patterns. The old market basket was based on a 1972–73 survey. Second, it increased the sample size for some of the items used in calculating the CPI. Finally, it increased the number of geographic areas surveyed from 85 to 91. This last change gives more weight to the South and the West, because of the relative population growth in those areas. Table II-20 compares the old weights and new weights for the major components of the U.S. CPI.

In addition to the technical changes to the index, several changes in reporting schedules were made, including the timing of publication for two indexes in California. The Bureau of Labor Statistics publishes monthly indexes for only the five largest metropolitan statistical areas (MSAs). The addition of San Jose to the San Francisco MSA made that region the fifth largest survey area, replacing Detroit. As a result, the San Francisco index—previously reported bimonthly—is now published monthly while Detroit has gone to a bimonthly basis. The San Diego index was also reported bimonthly in the past, but has been changed to a semi-annual basis. From now on, the CPI for this area will be published in February and August as an average for the previous six months. This change effectively abolishes any relevance the San Diego index had for escalation purposes. Labor contracts, leasing arrangements, rental agreements or other contracts which have incorporated the San Diego CPI may have to be converted to use of another index.

The California Consumer Price Index has also been revised. Prior to the revision, the California CPI was calculated as a weighted average of the all items indexes for Los Angeles, San Francisco and San Diego. With data for San Diego no longer available, the new California CPI is calculated monthly as a weighted average of the all items indexes for only Los Angeles and San Francisco. Table II-21 shows

TABLE II-21
COMPARISON OF OLD AND NEW WEIGHTS FOR THE CALIFORNIA CPI
(percent)

		New basis	*Old basis*
California CPI-U	Los Angeles	69	65
	San Francisco	31	25
	San Diego	–	10
		100	100
California CPI-W	Los Angeles	71	67
	San Francisco	29	25
	San Diego	–	8
		100	100

the weights used for computing the California CPI on the old and the new bases.

Data Revisions for Personal Income. The U.S. Bureau of Economic Analysis recently completed a major benchmark of personal income. Income data for California, released last fall, were revised back to 1969. Personal income in California edged up from 12.3 to 12.6 percent of the national total for 1984.

The most dramatic change due to the revision was in the proprietors' income component. For example, total proprietors' income for 1984 was more than doubled. Nonfarm proprietors saw a 143 percent upward revision. This increase was due in large part to adjustments for under reporting of business income, including cases where tax returns were simply not filed. Improved estimates of loan defaults also raised the level of business income by adding the value of the debt. These increases are fractionally offset by the elimination of the part of partnership income attributable to corporate partners.

The rent component of property income also changed significantly. Prior to 1975, rental income was adjusted upward 20 to 28 percent, whereas from 1975 on the data were revised downward 55 to 65 percent. For example, the 1980 level fell from $6.5 billion to $2.2 billion.

The result of such changes is an erratic series which complicates analysis and forecasting. It will not be possible to tell if current estimates are even at a reasonable level for economic analysis until 1986 data are received from the U.S. Bureau of Economic Analysis in September. Also in question is whether the recent data indicate a long term reduction, or if the series will snap back to the level of the past decade in coming years. Given these aspects, the rental component should be used and interpreted with caution.

Other labor income was revised up in the range of 3 to 7.5 percent over the years. Beginning in 1973, other labor income was modified to incorporate a revised series on employer contributions for health insurance. The revised series more accurately reflects the accounting of premiums paid by employers.

Wages and salaries, which are more easily tied to actual reported data, were revised only slightly. The adjustment in the series ranged between 0.8 and 1.4 percent over the 17-year period.

Overall, income growth rates were not significantly changed for most years. The first half of the 1970s experienced a moderate increase, while the years from 1977 through 1982 were slightly lower. Table II-22 shows the growth rates for California personal income before and after the benchmark.

TABLE II-22
CALIFORNIA PERSONAL INCOME
(percent change year over year)

	Old series	*Revised series*
1970	7.0	7.5
1971	5.9	6.2
1972	8.9	9.3
1973	10.1	10.4
1974	11.7	11.8
1975	10.1	9.9
1976	11.3	12.0
1977	12.0	11.6
1978	15.1	14.8
1979	14.4	13.9
1980	13.2	13.0
1981	11.9	11.8
1982	6.5	6.4
1983	7.1	7.9
1984	11.0	10.4

III. Financial Developments

Financial developments in 1986 received greater than usual attention, given a number of exceptional situations. The growth in the nation's money supply far outpaced all forecasts at the start of the year and raised concerns about potential inflationary pressures. The devaluation of the dollar was unprecedented. Various financial institutions around the country were weakened by the soft agricultural situation and falling oil prices. Even some California institutions experienced severe problems. In the early months of 1987, the international debt situation placed further pressures on earnings.

TABLE III-1
EMPLOYMENT GROWTH IN
FINANCE-INSURANCE-REAL ESTATE
(thousands)

	1985	*Percent change*	*1986*	*Percent change*
Total	724.5	4.4	764.7	5.5
Finance	351.4	1.9	367.5	4.6
Insurance carriers, agents and brokers	194.9	4.8	207.9	6.7
Real Estate	158.9	9.4	169.9	6.9
Combination offices, holding and other investment companies	19.2	6.7	19.4	1.0

TABLE III-2
GROWTH IN AVERAGE WAGES
IN FINANCE-INSURANCE-REAL ESTATE

	1986	*Percent change*
Total	$66,734	12.7
Banking	56,153	7.0
Nonbank credit agencies	62,123	11.7
Security and commodity brokers, dealers, exchanges and services	218,562	51.4
Insurance carriers, agents and brokers	65,223	6.7
Real Estate	51,259	6.3
Combination offices, holding and other investment companies	81,683	8.4

On the other hand, the equity markets and real estate sector saw steady gains more representative of the underlying economic situation in the State.

The finance-insurance-real estate group overall experienced above average job gain of 5.5 percent last year—the best year since 1979. The real estate sector alone grew 6.9 percent in terms of employment, continuing a four-year phase of exceptional growth. Payrolls in this sector were boosted by a significant pickup in the demand for homes, stimulated by declining mortgage interest rates.

Average gains also reflected the strength as well as varied patterns of growth within the industry. Overall, average wages were up 12.7 percent from 1985 to 1986. Actual data through the third quarter 1986, based on employer reports, showed huge year-over-year gains in average wages for the security and commodity brokers category. The first two quarters were up 67 percent as stock market activity surged. The third quarter increase settled back to a more normal 9.7 percent. Average increases during the year for the banking, insurance and real estate industries were considerably lower. Table III-2 illustrates the divergent trends which existed within the sector.

Interest Rates and Home Sales

Interest rates have had a significant impact on the entire sector. The construction boom in California was largely the result of a favorable financing environment, strong demand and mild weather through 1986. Details on the home building surge are discussed more fully in the construction chapter. National statistics show that mortgage rates fell steadily during the year, starting at about 11.3 percent in December 1985 and dropping to 9.3 percent by December 1986. In the Los Angeles region the average contract interest rate for conventional home mortgages was 9.1 percent at the end of last year.

Declining interest rates throughout the year had a major impact on the sale of existing homes as well as the construction of new homes. Existing home sales accelerated 19 percent to 484,567. Prices for homes firmed significantly, reflecting primarily the strength in demand. The decline in interest rates also contributed to the price rise through the impact on monthly mortgage payments. Last year the annual median sales price of existing single-family homes rose 11.5 percent to $131,530. This rate of increase was markedly above the underlying rate of inflation for that period, and further widened the gap between home prices in California and the rest of the nation. In the U.S. as a whole the annual median price rose only 6.4 percent to $80,300.

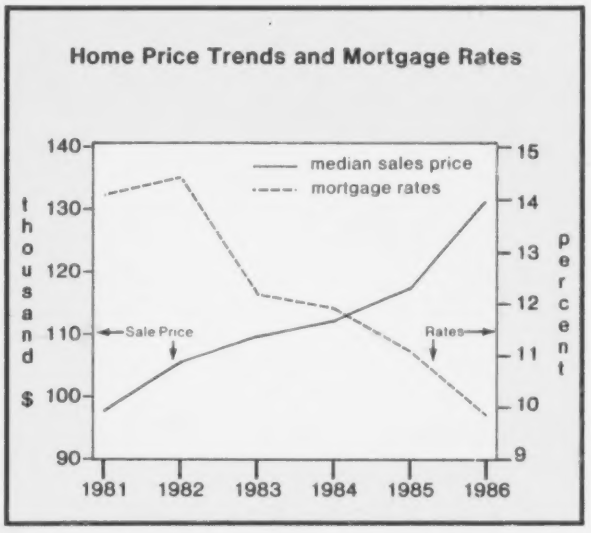
The rapid acceleration of home prices last year is partly explained by the type of consumer likely to purchase a house in 1986. The principal market force was the move-up buyer seeking larger and more expensive housing. Since median prices are representative of homes actually being sold, they can overstate the value of homes in an area when trade-up buyers dominate the market.

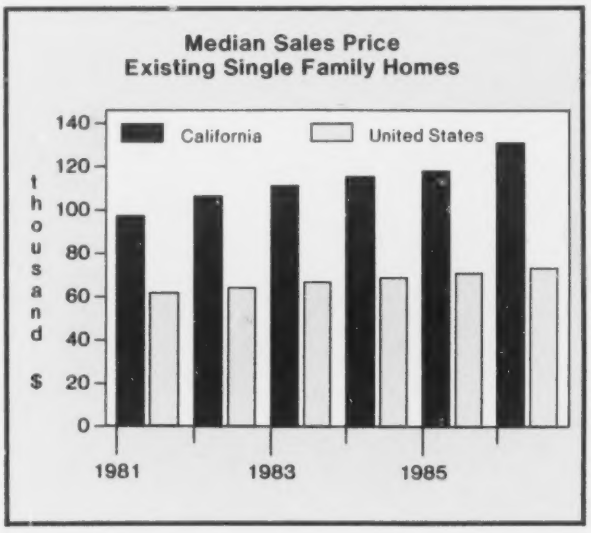
As with nearly all economic indicators in California, the regional differences tend to be quite significant. At the end of 1986 home prices around the State varied from less than $70,000 to more than $170,000 in areas surveyed. During the year the median sales price in Santa Barbara surged 25.3 percent to $172,758, surpassing the San Francisco Bay Area and Orange

TABLE III-2
MEDIAN EXISTING HOME SALES PRICE

Region	*December 1986*	*Percent change*
California	$138,565	11.8
Santa Clara	188,389	n.a.
Santa Barbara	172,758	25.3
San Francisco Bay Area	167,612	14.4
Orange County	153,972	6.8
Monterey	151,538	12.8
Ventura Area	146,355	6.7
Los Angeles Area	129,976	7.7
San Diego	119,648	10.6
Northern Wine County	111,485	19.0
Riverside/San Bernardino	95,389	7.7
Sacramento	82,405	n.a.
Central Valley	77,210	n.a.
Northern California	68,832	9.8

Source: California Association of Realtors





County. The most expensive region in the State, though, was Santa Clara County with a median price of $188,389 in December. The most affordable homes continue to be in the Central Valley and Northern California.

Another financial development related to home financing was the sudden popularity of mortgage-backed loans. Federal tax revisions phased out or eliminated interest deductions for most credit purchases beginning in 1987. Interest on home loans, however, generally remains deductible. This situation has created an incentive for consumers to obtain credit using the equity in their homes to consolidate debt at lower interest rates and finance purchases with tax-deductible credit. Unfortunately, no data are currently available to identify the impact which this is having. Industry sources suggest that the demand for such lines of credit has been substantial, however. The extent to which equity credit is used could be a major factor influencing trends in the economy in both 1987 and 1988.

Financial Institutions

The overall profitability of California's lending institutions benefited from the lower interest rates and construction boom in 1986. Low inflation and the continued uptrend of the state's economy also made it an important year for California banks, savings and loan associations and mortgage companies.

Savings and loan associations continued their turnaround in profitability which began in mid-1985. Earnings were up $1.06 billion, a gain of 21 percent last year. In 1986 there were 216 associations with net assets of $310 billion.

Commercial banks in California also remain in good shape, although they face a number of critical issues. Nationwide, problems exist for banks in areas where local dominant industries are experiencing weak conditions. Defaults on loans related to oil and gas and agriculture have created trouble for some institutions. Exposure of most California banks to these types of losses is not severe. California banks have seen increases in business, reflecting the more stable, diverse economic environment of the State.

The acquisition of Crocker National Bank by Wells Fargo Bank last year was a major event for the California banking industry. As well as improving the ranking of Wells Fargo Bank, it further enhanced the position of California banks with respect to those in the rest of the nation. Prior to the acquisition Wells Fargo was the nation's thirteenth largest bank company. It is now the ninth largest banking concern in the nation, and the third biggest in the State.

Interstate Banking

Bank acquisitions such as that of Crocker by Wells Fargo are likely to be more common from now on. California banks must compete not only with other institutions within the State, but also banks in the entire western United States. Last year the California Legislature enacted two bills which implement interstate banking in California. Prior to this legislation, a bank holding company in California could not acquire a bank outside the State. One measure authorized interstate banking by permitting the acquisition of California banks or bank holding companies after July 1, 1987, by holding companies located in Alaska, Arizona, Colorado, Hawaii, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. A second bill authorized nationwide interstate banking as of January 1, 1991 by permitting the acquisition of California banks or bank holding companies by banks located in any state.

Any acquisition of a California bank or bank holding company under either bill must be approved by the Superintendent of Banks, who must find that "substantial reciprocity" exists between California and the state in which the operations of the acquiring company are principally conducted. "Substantial reciprocity" means that the laws of another state authorize a California bank holding company to acquire and operate a bank in that state subject to the same terms and conditions applicable to a bank holding company located in that state. The acquisition cannot have an adverse effect on public advantage or convenience in California. An acquisition of a state chartered bank would be subject to current state law regarding the control of a bank. The 1986 legislation only permitted the acquisition of existing banks, and both national and state banks are subject to the bills' acquisition provisions.

There are several implications of this less regulated environment for California banks. There is no doubt that competition in the financial marketplace will be increased. This may or may not result in improved service and reduced costs for California consumers. Ownership of California banks by out-of-state holding companies could result in losses to the State through forgone opportunity costs if money that would have been invested in California, goes to another state. Lendable funds or prime loans and investments could be shifted to affiliate banks in other jurisdictions.

Similarly, special bank products and services could also be moved to more favorable tax climates, which would affect tax revenues. On the other hand, the expansion of California banks to other parts of the country could further strengthen California's position in relation to financial institutions from other states. Some banks in California have already started moving in that direction.

Outlook

Even with all the changes occurring in the industry, it appears that California savings and loans, along with mortgage companies and banks, are well positioned to finance further construction and home resale activity. In addition, they are in good condition to compete with banks from other states. The Department of Finance forecast assumes that the recent uptrend in interest rates will not lead to a serious curtailment of economic growth. In particular, employment in the finance-insurance-real estate sector should reach 800,000 by the end of 1987 with an annual growth rate of 3.6 percent. Gains in 1988 are expected to be even stronger.

IV. The Goods Producing Sectors

The goods producing sectors reflect the somewhat mixed economy of the past year. Mining slumped badly, as the price of oil fell. Manufacturing was soft for much of the year, as the important electronics industry coped with weakness in demand and increasing foreign competition. The construction industry, however, was a standout, with significant gains which contributed to strength in other sectors.

Mining

Developments in mining are covered in the Resource Industries Chapter. In overall terms, the sector saw a 16.6 percent decline in employment, concentrated almost entirely in the fuel extraction area. Kern County, which accounts for approximately two-thirds of all oil production in the State, was particularly affected by this trend.

The oil rig count is a good indicator of activity in the industry. The number of rigs operating in the State at the end of 1985 amounted to 82, of which 71 were onshore and 11 offshore. By the end of last year the total had fallen to 54, with 47 onshore and 7 offshore. Much of the decline undoubtedly occurred in Kern County, which typically accounts for more than half the rigs in operation.

TABLE IV-1
MINING EMPLOYMENT
(in thousands)

	1985 (Actual)	*1986 (Actual)*	*1987 (Forecast)*
Total	49.9	41.6	37.9
Metal mining	1.7	1.9	1.9
Fuel extraction	41.1	33.1	29.7
Nonmetallic mining	7.1	6.7	6.3
		December	
	1984	*1985*	*1986*
Total	50.9	49.6	38.0
Metal mining	1.7	1.8	1.8
Fuel extraction	42.4	40.8	29.6
Nonmetallic mining	6.8	7.0	6.5

Source: California Employment Development Department
California Department of Finance (1987 forecast)

The recent firming in oil prices could have a positive impact on the county if it appears likely to persist over the longer run.

The problems of mining are illustrated by the trend in employment (Table IV-1). The December figures, in particular, show the falloff in activity over the past year. The forecast assumes that oil prices will be somewhat erratic for the next several months. This will postpone any significant improvement from current levels. As a result, employment on a year-over-year basis will be moderately lower for 1987.

Manufacturing

There were significant crosscurrents in manufacturing during the past year. Nondurable goods industries saw moderate gains, while durable goods experienced a slight downtrend. On balance, this performance was consistent with national trends in manufacturing.

With respect to individual industries, however, the very different impact of various factors can be seen in both the annual figures and the comparison as of December for the last three years as shown in Table IV-2. (The December figures are not adjusted for seasonal variation, but this is less important

when the same month is being compared from one year to the next. All data refer to the interim series on employment.)

The drop in oil prices, for instance, may be credited with the modest decline in petroleum refining employment and may even have been responsible for the slight downturn in the chemical industry.

The strength in homebuilding, in contrast, was a major stimulus for the lumber and wood products industry, which saw its job total rise to its highest level since 1980. The stone-clay-glass industry also benefited from the housing boom.

There were some surprises in the data. The apparel industry, for example, has faced increasing competition from foreign producers, but still records consistent gains. The industry is so fragmented, involving a large number of relatively small firms, that citing any one factor for this good performance is probably impossible. One aspect frequently mentioned, however, is the design emphasis of California manufacturers, which sets them apart from the standardized product coming in from overseas.

The paper products industry may have broken out of a period of stability. For the past decade, it has employed between 37,000 and 39,000 people, with marginal changes reflecting the business cycle. In 1986, employment rose to an average 40,000.

Printing and publishing is one of the more dependable sources of growth. It appears to track the overall pace of business activity, slowing only during cyclical downturns.

Other sectors were less impressive. Among the durable goods industries, in fact, only the lumber, stone-clay-glass and aircraft components were up. Every other major group recorded a decline. Some of this weakness can be attributed to imports, which compete directly with domestic products. There may also be longterm restructuring underway—secular changes which will result in a contraction of less efficient manufacturing industries.

The softness which has been evident should not be interpreted as unique to California. In reality, the State is holding its own in the national scene for manufacturing, as adjustments in other parts of the nation have been more severe. California manufacturing accounted for 9.9 percent of all manufacturing jobs in the United States in 1980. That figure was actually up to 10.7 percent for 1986.

Manufacturing also continues to play an important role in the state's economy, even though it has been overshadowed in many respects by the faster-growing service-oriented sectors. The shift toward services has reduced the relative share of manufacturing, but at the same time has reoriented production still further toward the technology industries which have come to play a vital part in so many other sectors.

The electronics/aerospace industry illustrates many of the aspects already mentioned about manufacturing in California. It has seen both gains and losses over the past two years. It has been confronted with sagging demand and heightened competition from foreign firms. It includes one of the faster growing

TABLE IV-2
MANUFACTURING EMPLOYMENT
(in thousands)

	1985	*1986*	*Percent change*
Total	2,076.1	2,052.4	−1.1
Nondurable goods:	635.7	644.3	1.4
Food products	169.2	169.7	0.3
Textile products	13.9	14.8	6.5
Apparel	107.2	111.8	4.3
Paper products	39.6	40.0	1.0
Printing-publishing	140.1	143.4	2.4
Chemicals	63.7	62.9	−1.3
Petroleum-coal products	28.8	28.1	−2.4
Rubber-plastics	65.7	66.6	1.4
Leather products	7.5	6.9	−8.0
Durable goods:	1,440.4	1,408.1	−2.2
Lumber and wood	56.1	59.2	5.5
Furniture-fixtures	58.9	57.9	−1.7
Stone-clay-glass	50.8	52.3	3.0
Primary metals	41.6	40.6	−2.4
Fabricated metals	143.5	137.9	−3.9
Nonelectrical machinery	229.4	212.8	−7.2
Electrical equipment	413.4	396.0	−4.2
Transportation equipment	297.3	305.1	2.6
Instruments	113.9	111.7	−1.9
Miscellaneous manufacturing	35.5	34.4	−3.1

Source: California Employment Development Department

industries in the State. It reflects the increasing emphasis on high technology. It has contributed positively to some regions of California over the past two years, and been a negative factor in others. It has been the subject of intense debate in relation to possible federal budget cuts.

The industry is defined as office, computing and accounting machines; radio and TV receiving equipment; communication equipment; electronic components; aircraft and parts; guided missiles and space vehicles, and measuring and controlling instruments. The data shown for aerospace are taken from the official, establishment series on employment for California rather than the more frequently benchmarked interim series. While they are technically not quite comparable with the data given for other manufacturing industries, they nevertheless provide a good indication of the overall health of the high technology sector in California.

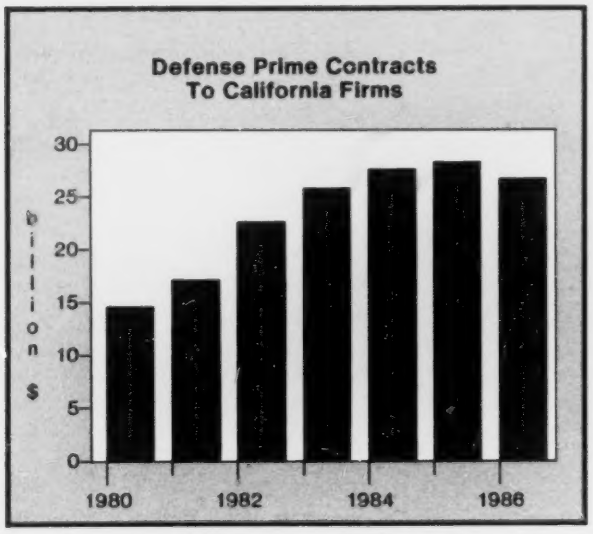
The major change during 1986 occurred in electronic components. Producers were faced with the combination of sagging demand and increased competition from foreign firms.

TABLE IV-3
MANUFACTURING EMPLOYMENT AS OF YEAR-END
(in thousands)

	December			Percent change	
	1984	1985	1986	Dec. 84-Dec. 85	Dec. 85-Dec. 86
Total	2,075.3	2,059.5	2,038.5	−0.8	−1.0
Nondurable goods	624.2	633.5	641.6	1.5	1.3
Food products	163.9	161.8	165.5	−1.3	2.3
Textile products	13.3	14.4	15.1	8.3	4.9
Apparel	104.7	108.5	111.6	3.6	2.9
Paper products	39.4	39.5	40.0	0.3	1.3
Printing-publishing	138.3	144.9	145.3	4.8	0.3
Chemicals	63.3	63.3	62.7	nc	−0.9
Petroleum-coal	29.2	28.2	27.8	−3.4	−1.4
Rubber-plastics	64.0	65.4	67.1	2.2	2.6
Leather products	8.1	7.5	6.5	−7.4	−13.3
Durable goods	1,451.1	1,426.0	1,396.9	−1.7	−2.0
Lumber and wood	51.1	54.3	60.2	6.3	10.9
Furniture-fixtures	61.2	60.4	58.7	−1.3	−2.8
Stone-clay-glass	51.0	51.3	52.7	0.6	2.7
Primary metals	42.5	41.5	40.2	−2.4	−3.1
Fabricated metals	146.5	138.6	138.3	−5.4	−0.2
Nonelectrical machinery	240.1	218.6	210.4	−9.0	−3.8
Electrical equipment	422.2	404.3	387.5	−4.2	−4.2
Transportation	285.7	307.9	305.2	7.8	−0.9
Instruments	114.0	113.8	109.7	−0.2	−3.6
Miscellaneous	36.8	35.3	34.0	−4.1	−3.7

Source: California Employment Development Department

Aircraft production has been a strong growth sector, adding 30,000 jobs over the past two years, and 8,000 in 1986 alone. In fact, the gain in the aircraft industry has offset nearly half the total job losses in other manufacturing, shown in Table IV-3, between December 1984 and December 1986.



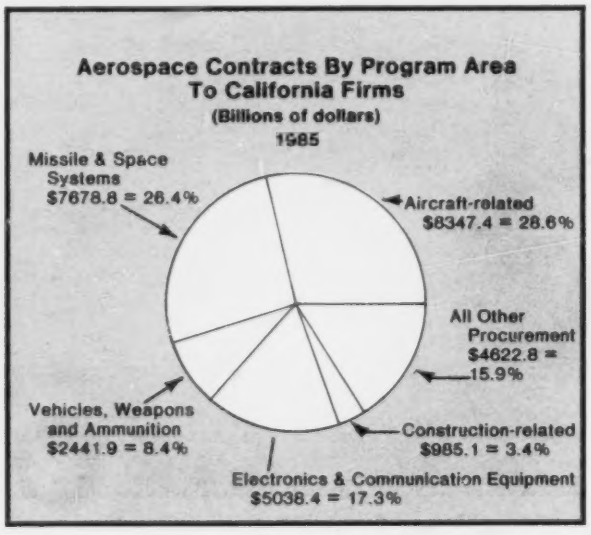


TABLE IV-4
THE RELATIVE POSITION OF CALIFORNIA MANUFACTURING

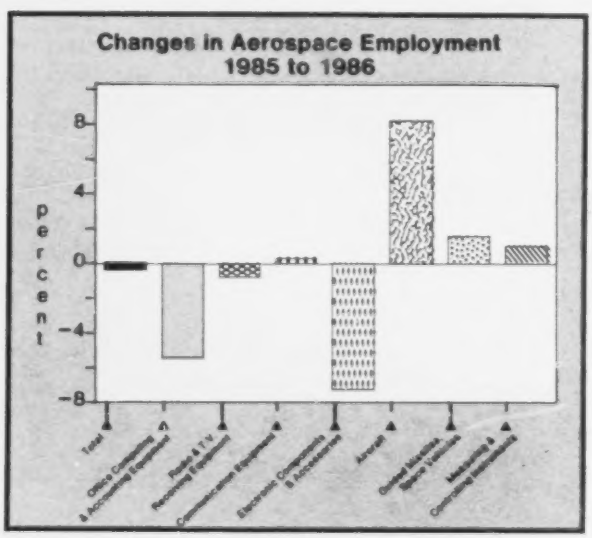
	Percent of manufacturing jobs in the United States	*Percent of all nonagricultural wage and salary jobs in California*
1980	9.9	20.5
1981	10.1	20.4
1982	10.4	20.0
1983	10.6	19.6
1984	10.6	19.5
1985	10.7	18.9
1986	10.7	18.2

Source: California Department of Finance

TABLE IV-5
AEROSPACE-ELECTRONIC EMPLOYMENT
(in thousands)

	December			*Percent change*	
	1984	*1985*	*1986*	*Dec. 84–Dec. 85*	*Dec. 85–Dec. 86*
Total	738.3	754.1	753.6	2.1	–0.1
Office, computing, accounting machines	117.3	106.5	104.2	–9.2	–2.2
Radio & TV receiving equipment	14.6	13.5	13.4	–7.5	–0.7
Communication equipment	165.4	181.5	179.4	9.7	–1.2
Electronic components	169.7	150.6	147.1	–11.3	–2.3
Aircraft & parts	145.8	167.6	175.6	15.0	4.8
Guided missiles, space vehicles	73.8	79.0	79.8	7.0	1.0
Measuring & controlling instruments	51.7	55.4	54.1	7.2	–2.3

Source: California Employment Development Department



The slump in the computer/chip market is also quite apparent from the data. The decline over the latest 12 months, however, actually suggests an improved outlook. The worst part of the slump occurred in 1985. By 1986 a degree of stability was being achieved. The consensus mood that the moribund market for personal computers is about to return to life should lead to an actual upturn in the office machine and electronic component categories during 1987. International agreement with foreign chip producers on pricing practices would also be a positive factor, since dumping has seriously cut into potential sales in some areas.

The industry is also tied to defense and space spending. Curtailment of the space program after the Challenger disaster in January 1986 will preclude any stimulus from this source. Defense spending remains strong, however, both for prime contract awards and other military activity in the State.

Contract awards were at $27.7 billion for the 1985–86 fiscal year, down only fractionally from the $29.1 billion total for 1984–85. California still accounts for more than 20 percent of all awards nationally.

Awards are concentrated in three general program areas in which the State has a decided advantage: weapons, missiles and aircraft. According to 1984–85 figures, the latest available at the time this report was being prepared, California firms account for roughly half the national procurement of weapons, nearly 40 percent of total spending for missile systems and about 30 percent of all airframes. These categories alone account for two-thirds of the contract award total.

There has been concern that fed-

eral budget cuts required to reduce the size of the federal deficit would impact negatively on California defense contractors and subcontractors. Discussions with industry analysts suggest this will not be a factor in the near term. Contract awards remain high, particularly in comparison with levels of the late 1970s and early 1980s. Furthermore, existing appropriations already in the pipeline are apparently adequate to sustain the industry with no overall cutback for at least the next three years.

The Outlook. There are signs that manufacturing activity is firming gradually. The electronics industry, for example, has been reporting an improved book-to-bill ratio for several months. This measure, released on a 3-month moving average basis by the Semiconductor Industries Association, compares new orders with billings, or shipments. It has proved a good leading indicator of future activity in the industry. When it is rising, orders are firming. When it is greater than 1.0—especially for a period of time—expansion is ahead or even underway. A ratio less than 1.0 indicates that business is softening, and that cutbacks may be imminent.

The recent trend in this measure, which was up to 1.13 for the December–February period, in combination with reports of an upturn in the computer market, suggest that the electronics industry may be poised for a renewed expansionary phase.

Firming in oil prices should lead to stabilizing for petroleum refining. Continued strength in homebuilding will provide critical support for the lumber industry.

Industries which have been impacted by imports, in contrast, still face a somewhat uncertain future. Higher prices for imports, brought about by devaluation of the U.S. dollar, should shift at least some production back to the states. Fabricated metal producers and electrical and nonelectrical machinery firms could benefit greatly from such a development. The extent to which such a turnaround will occur is still in doubt, however, given other aspects of the foreign trade balance. These aspects are covered more fully in the Chapter on foreign trade.

With interest rates remaining low, consumers still optimistic on the future and inventories lean, the stage appears to be set for at least moderate job gains in manufacturing. Employment overall is expected to rise to 2,062,000 for 1987, a 0.5 percent increase.

	1987	*Percent change*
Total manufacturing	2,062	0.5
Nondurable goods industries	657	2.0
Durable goods industries	1,405	−0.2
Aerospace/electronics	753	0.1

Construction

Developments in the construction industry provided a major support for the California economy last year:

- Housing authorizations came in at their highest level since 1963.
- Employment was up more than 6 percent—a strong increase after four years of expansion.
- Nonresidential building eased only slightly, in contrast to expectations of a sharp falloff at the beginning of 1986.

There were a number of factors at work in the industry, complicating analysis of underlying trends. Perhaps the most important was federal tax revision. The construction industry has been able to take advantage of tax shelter activity in the past. The new law effectively curbs these, however; structures not in place by the end of 1986 will not qualify for special writeoffs.

TABLE IV-6
DEFENSE CONTRACTS BY PROGRAM AREA, 1985
(in millions of dollars)

Total	$29,114.6
Airframes	7,196.3
Aircraft engines	147.8
Other aircraft equipment	1,003.4
Aircraft-related	8,347.4
Missile and space systems	7,678.8
Combat and noncombat vehicles	508.6
Weapons	1,384.2
Ammunition	549.1
Petroleum	996.9
Electronics & communication equipment	5,038.4
Construction	983.6
Construction equipment	1.5
Construction-related	985.1
Services	1,851.0
All other procurement	1,774.9

Source: Department of Defense

As might be expected, activity remained high much of the year as projects underway were completed so that they could remain eligible for special treatment.

A second factor was a law change at the state level. Local governments were authorized to impose fees for school construction and maintenance as of January 1, 1987. The maximum fee was set in the law at $1.50 per square foot for residential building, and $.25 per square foot for nonresidential projects. Several large school districts in the State implemented the provision at the start of this year. The result was a year-end surge in permits to avoid the higher fees. Other districts have put fees in place since then, and each new imposition leads to a temporary surge in the local area.

The 307,700 housing units authorized in 1986 was the highest total since 1963. Early data on 1987 suggest it, too, will be an above average year: the current forecast of the Department of Finance calls for 270,000 units. With homebuilding activity at these levels, the construction industry should continue to be a primary source of strength through at least the current year.

Interest rates cannot be ignored in considering the supply of new housing coming onto the market. Mortgage rates declined fairly steadily during 1986, reaching a nine-year low early in 1987. The impact of this development was partially offset by higher prices for housing, however. Data from the California Association of Realtors shows the median home price rising 5.4 percent between December 1985 and December 1986, to $130,565.

Average permit value also gained, although by a lesser amount. Single family units were valued at an average $85,480 at the end of 1985, and at $91,088 one year later. The comparison for multi-family units was from $42,438 to $46,578 over the year. It should be pointed out that the permit valuation figures are not comparable with data from the Realtors. Permit values exclude the cost of land and the builder's profit, for instance. Beyond this, data relating to only one month can be somewhat misleading if there was an atypical proportion of housing authorized in various counties or price ranges.

These comparisons reflect the upward pressure on prices which seems to be developing in the housing market in various markets around the State. It is premature to conclude that housing inflation could again become a problem, however. The past year has seen too many unusual situations to generalize from a few months' data.

These are certainly other indicators which suggest that construction costs have been fairly well contained. Average wages in the industry were up only 2.5 percent for 1986. Specific indices on materials costs do not exist for the State, but trends in various national series can be related to California given that the State is a diverse economy representative of the entire nation in many respects.

The Department of Commerce composite cost index and the Engineering News-Record building cost index—each of which includes both labor and materials—were up less than 3 percent between the end of 1985 and 1986.

Another interesting development has been in the relative shares of single family housing as opposed to multiple, or apartment, units. Historically, building activity in California was 60 percent singles, and 40 percent multiples. These proportions were reversed between 1983 and 1985, with multiples coming to the fore. The past year saw continuation of this situation, with multiples accounting for 53.4 percent of the total.

No one factor can be credited with the recent emphasis on multiple housing. Demographic factors are one aspect: the maturing of the baby boom generation has reinforced the market for this type of housing. On the supply side, multifamily building has been encouraged until now by tax law provisions for accelerated depreciation. It is also influenced by the stage of the business cycle, tending to fall off more rapidly than single family activity during a downturn.

A significant change in the level of multi-family activity is likely to be seen this year. The effective curbing of tax shelters under the new tax law is expected to restrain investment in multiple unit projects designed for the rental market. Those which are undertaken are more likely to be justified on an economic basis which takes supply and demand into consideration, rather than only the financial benefits which can be achieved from a tax writeoff.

Manufactured Housing. The supply of housing in California continues to be augmented by manufactured housing, or mobile homes. Unfortunately, this type of unit is not achieving the potential once expected for it. Sales in 1986 amounted to only 7,944 units, the lowest total since the series became available in 1969. Sales peaked in 1972 at more than 33,000 units, and have been on a fairly steady downtrend ever since.

TABLE IV-7
HOUSING UNITS AUTHORIZED IN CALIFORNIA
(in thousands; seasonally adjusted annual rate)

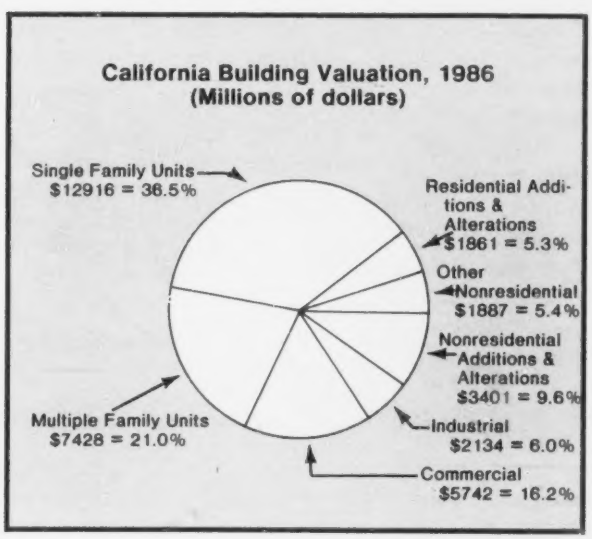
	Single family		*Multiple units*		*Total*	
	1985	*1986*	*1985*	*1986*	*1985*	*1986*
January	107.3	112.9	123.5	172.0	230.9	284.9
February	112.6	111.8	129.5	140.7	242.1	252.5
March	111.0	116.8	128.6	185.4	239.6	302.2
April	100.5	133.0	144.6	171.8	245.0	304.8
May	101.7	130.3	131.7	139.6	233.4	269.9
June	100.9	142.9	124.3	113.8	225.3	256.7
July	109.9	149.9	144.2	129.3	254.0	279.2
August	124.3	115.9	152.3	139.5	276.6	255.4
September	117.0	167.7	343.1	137.8	460.1	305.5
October	125.6	157.8	135.7	199.5	261.3	357.3
November	108.6	141.6	173.9	152.3	282.5	293.9
December	103.5	239.6	132.9	290.3	236.4	529.9
Annual average	109.8	141.8	153.9	159.5	263.7	301.3
Percent change		29.1		3.6		14.3

Source: Security Pacific National Bank California Database

Manufactured housing offers a viable alternative to conventional housing, at a significantly lower cost. Units have also found a place as second homes in outlying areas. On balance, however, local restrictions on the location of parks have hindered sales. More recently, declining mortgage rates and continued gains in income have increased the affordability of housing. This may well have shifted demand at the low end of the market to smaller units in conventional structures. Whatever the reason, manufactured housing provides only a minor part of the total supply of new housing in the State each year.

Regional Trends in Housing Activity. The surge in homebuilding last year was not shared by every region of the state. In fact, roughly half the counties in California saw a lower number of units approved in 1986 than in 1985. In some regions the falloff was pronounced for multi-family structures; in others it was an across-the-board softening.

As would be expected, given its population and strong economic environment, Southern California dominated the industry with two-thirds of all residential building in the State. Authorizations were up 24 percent in Los Angeles County alone, reflecting to a significant extent activity in anticipation of the imposition of new fees to support school construction as of January



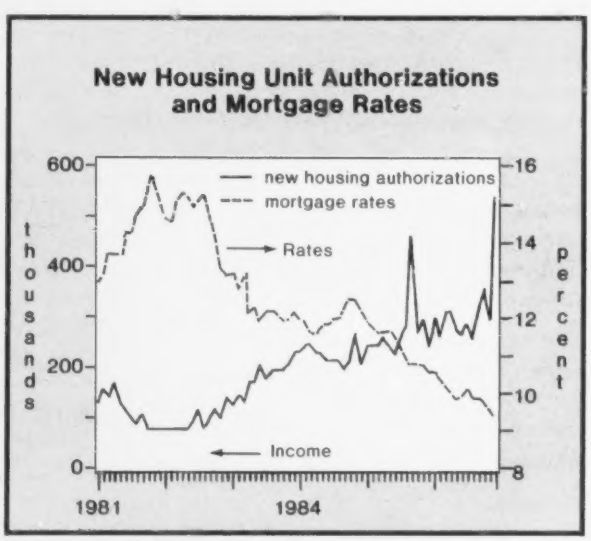


TABLE IV-8
VACANCY RATES IN SELECTED AREAS, 1986
(percent)

Area	Total	Single family		Multi-family	Mobile homes
		Detached	Attached		
Alameda County	n.a.	n.a.	n.a.	n.a.	n.a.
Anaheim-Santa Ana PMSA	2.0	1.2	2.6	3.2	2.3
Bakersfield MSA	3.6	2.5	5.1	8.1	2.7
Chico MSA	3.5	3.5	3.3	3.5	3.8
Fresno MSA	3.9	2.3	7.8	7.3	3.2
Los Angeles-Long Beach PMSA	1.6	1.2	2.4	2.2	2.3
Marin County	1.7	1.3	2.5	2.3	0.7
Modesto MSA	2.4	2.1	3.4	3.1	2.1
Oxnard-Ventura PMSA	1.5	1.2	2.8	2.4	0.8
Redding MSA	3.2	3.0	4.2	4.5	2.4
Riverside-San Bernardino PMSA	4.9	3.4	8.1	9.5	4.6
Sacramento MSA	3.0	2.2	4.0	4.7	2.3
Salinas-Seaside-Monterey MSA	1.8	1.3	1.6	3.4	0.7
San Diego MSA	3.0	1.7	4.0	4.9	2.3
San Francisco County	1.1	1.0	0.5	1.5	—
San Jose PMSA	2.3	1.2	4.6	4.1	2.4
San Luis Obispo	2.8	2.2	4.0	4.6	1.9
San Mateo County	1.2	0.7	1.3	2.2	1.1
Santa Barbara-Santa Maria-Lompoc MSA	1.7	1.2	2.4	2.4	1.9
Santa Rosa-Petaluma PMSA	2.9	2.0	5.4	6.1	2.5
Stockton MSA	2.7	1.9	4.8	4.9	1.3
Vallejo-Fairfield-Napa PMSA	3.3	2.2	8.0	6.1	2.6
Visalia-Tulare-Porterville MSA	3.2	2.7	6.8	5.5	2.3
Yuba City MSA	2.2	2.0	2.6	2.7	2.5

MSA: Metropolitan Statistical Area
PMSA: Primary Metropolitan Statistical Area
n.a.: Not Available
Source: Federal Home Loan Bank of San Francisco

1, 1987. Other counties appear to have surged also late in the year, perhaps with the expectation that similar fees would be put in place early this year. San Bernardino and Riverside counties were particularly strong, with gains of 47 and 32 percent, respectively. These counties benefit from a variety of situations, including lower housing prices than in Los Angeles, Orange and Ventura counties, an excellent freeway system and a less congested urban area.

At the other end of the spectrum were the North Coast timber-based region, the central valley and the central coastal region. Each of these saw a decline in housing activity.

There are, of course, exceptions to regional patterns. A number of relatively rural counties adjacent to metropolitan areas have seen an acceleration of activity as development spills over from more densely populated urban centers. Within the Central Valley, for instance, Sacramento, San Joaquin and Fresno counties saw significantly lower activity, while Stanislaus and Tulare were up sharply.

There are also some interesting differences in the single-multiple split from one county to the next. As might be expected, the heavily urbanized counties have the highest proportion of multi-family housing and the predominantly rural counties the lowest. These proportions can change dramatically from one year to the next, however. In Sacramento, to cite an extreme example, multiples fell from 66 percent of all housing authorizations in 1985 to only 32 percent in 1986. The number of multi-family units dropped from 12,133 to only 3,555.

A common factor influencing the relative rate of multiple unit activity in 1986 was undoubtedly the impending change in federal tax law, with tax benefits to be available only on units in place by the end of last year. In other areas rent controls are frequently cited as a detriment to investment in rental units. Just the consideration of controls can effectively curb building plans.

The one aspect which should not have impacted most counties is

demand. The strong rate of migration to the State, the steady gains in job holders and the maturing of the baby boom generation create a good market for multiples. Vacancy rates reflect this situation. Only two metropolitan areas—Bakersfield and Riverside-San Bernardino—have rates suggesting a significant oversupply of units. The Bakersfield rate could well reflect mobility in the work force in response to the depressed oil industry in the county. Riverside and San Bernardino are different in that they contain a large number of seasonal units which may distort the picture. It is perhaps significant, however, that multi-family housing accounted for a smaller share of overall building activity in each of these counties last year.

Vacancy rates have increased over the year in a number of other areas, with the sustained pace of homebuilding at least a partial cause. Even so, there does not appear to be an oversupply of housing developing. As noted in the Overview, population growth accelerated between mid-1985 and mid-1986 to a 2.4 percent rate—the highest since 1965. Migration from other states is certainly up with the unfavorable economic situation in many of the interior states encouraging mobility. More recently, the immigration situation—with amnesty and permanent residence for individuals who have been in the United States for seven years—may be bringing more people into the market. Both these situations could help take up any excess supply, particularly of moderately priced units.

Nonresidential. The situation with respect to nonresidential construction was less buoyant than that for homebuilding. Nonresidential valuation authorized amounted to $13,165 million, a decrease of 1.1 percent from the 1985 total.

Commercial building took the brunt of the adjustment, falling by 7.9 percent. Industrial projects, in contrast, remained strong, rising 9 percent. A moderate gain of just under 5 percent was recorded for other types of activity.

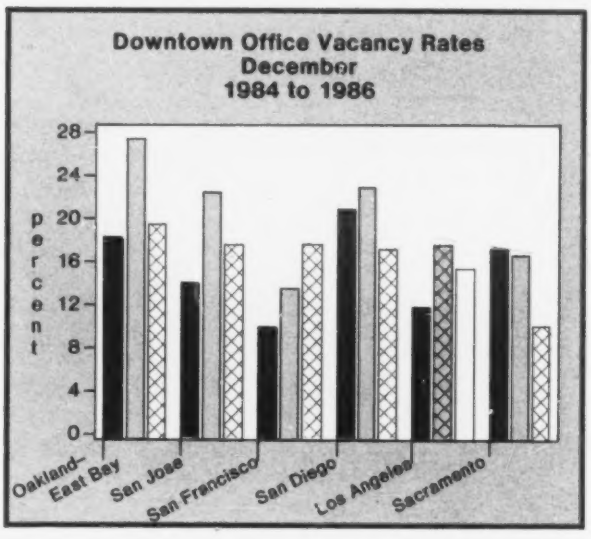
The curtailment of accelerated depreciation and elimination of the investment tax credit under new federal tax law have proved to be at least a temporary deterrent to construction. Over the longer term this will prove beneficial for the State. Projects will no longer be undertaken with tax writeoffs the primary supporting factor. This rationale can lead to investment which cannot be justified by existing economic or market conditions, and which does not contribute to orderly development. In the future, with tax considerations pushed in the background, decisions should be predicated more on economic grounds.

Beyond this, the vacancy situation remains serious in most major metropolitan areas. Coldwell Banker conducts quarterly surveys of available space in office buildings and industrial plants. According to their figures the State is generally overbuilt in both these categories at the present time.

In terms of office buildings, vacancy rates remain stubbornly high in suburbia. There has been a noticeable improvement in most downtown areas, however. The latter appears to be coming about in part because of a steady flow of foreign investment funds into the State. The increasing emphasis on California—and Southern California in particular—as a financial center is also contributing to the absorption process. Even with these gains, rates remain far above long term levels, suggesting that a slower pace of construction is likely for the immediate future.

Another limiting factor in some localities is widespread concern that growth may be occurring at a pace which cannot readily be absorbed by the community. Such concerns have been translated into ballot initiatives which have met with considerable success. Measures have addressed a number of issues, all designed to curb the pace of development.

In March 1985, for instance, voters in Walnut Creek passed Measure A



which limits buildings to 6 stories and requires voter approval for increases in existing building heights. Measure H in that area was approved in November, prohibiting most types of development until traffic could be reduced to specific levels.

Height, space or density restrictions have also been enacted in Pleasant Hill, San Francisco, Campbell and Los Angeles. Recent measures to limit new housing have ranged from a total moratorium in Tiburon to a specific number of units in Dixon, Moorpark and San Clemente.

These areas are not typical of all California: they do, however, reflect the problems which can arise from a rapid rate of growth and the type of response likely to be offered. Many of the localities in which building restrictions have been approved are suburban areas which have felt the spillover effect from central urban regions. Each measure is an attempt to preserve existing attributes of the community which could be lost with unrestrained commercial and residential development.

Most cities in the State continue to rely on the normal approval process for development. For these, the more usual considerations of market demand for new structures, the availability of financing, possible overbuilding and the general economic outlook are determining factors.

The impact of overbuilding and local restrictions will tend to dampen authorizations for many new projects in many areas. This should show up in permit data over the next several months. The industry overall will still see a good pace of activity, however, as work continues on the large number of major commercial and office projects still underway.

The general strengthening in the economy which appears to be taking hold and the elimination of uncertainties from federal tax revision are other aspects. While no boom is on the horizon, it now appears that solid growth will continue for the foreseeable future. This is a strong motivation for major construction projects which must anticipate longterm needs.

As would be expected, Southern California again dominates the scene, with nearly two-thirds of nonresidential building authorizations in the State. Only 10 counties

TABLE IV-9
REGIONAL ACTIVITY IN HOMEBUILDING, 1986

	Total		*Percent multi-family housing*
	Units	*Percent change*	
Southern California			
Los Angeles	66,178	24.1	74.9
Orange	23,676	25.2	59.8
San Diego	44,620	16.6	62.6
San Bernardino	33,737	46.8	43.6
Riverside	23,058	32.5	38.8
Ventura	6,925	16.8	30.7
Total	198,980	26.6	—
San Francisco Bay Area			
San Francisco	2,037	37.7	93.2
Alameda	9,080	26.3	57.0
Contra Costa	12,950	38.9	52.1
Santa Clara	8,217	−13.2	60.5
Sonoma	3,826	−25.2	12.3
Solano	4,693	14.9	33.5
Other	4,819	25.2	—
Total	45,622	12.6	—
Central Valley			
Sacramento	11,252	−38.6	31.6
Fresno	5,783	−18.6	46.2
Kern	4,971	−5.4	35.2
Stanislaus	5,763	53.8	30.2
Other	11,199	−5.4	—
Total	38,968	−15.8	—
North Coast-Timber			
Total	2,157	−1.3	—
Mountain			
Placer	2,057	−0.1	25.1
Nevada	1,201	15.3	4.0
El Dorado	1,572	−3.7	20.4
Other	2,112	32.7	—
Total	6,942	9.8	—
Central Coast			
Santa Cruz	1,025	−13.1	38.1
Monterey	2,714	2.3	59.6
San Luis Obispo	2,559	−34.4	27.4
Santa Barbara	1,991	−33.3	27.8
Total	8,617	−23.1	—

Note: Counties listed may not account for the entire regional total shown.

Source: Security Pacific National Bank California Database.

TABLE IV-10
VACANCY RATES FOR OFFICE BUILDINGS
(as of December)

	1983	1984	1985	1986
United States average	16.2	17.2	20.1	21.5
Downtown	12.4	14.7	16.5	16.4
Suburban	18.7	18.2	22.0	23.8
Los Angeles	15.9	16.7	16.9	17.3
Downtown	12.3	11.8	18.2	15.0
Suburban	17.2	17.8	16.7	17.3
Orange County	17.3	13.1	19.3	22.7
San Diego	21.1	17.9	22.9	23.1
Downtown	21.3	22.2	23.4	17.0
Suburban	20.8	13.9	22.5	26.6
San Francisco	10.6	13.5	16.6	19.4
Downtown	5.9	10.1	13.4	18.1
Suburban	18.3	19.0	22.0	21.4
Oakland-East Bay	—	19.1	24.9	28.3
Downtown	—	12.1	27.3	19.1
Suburban	18.4	19.7	23.9	31.4
San Jose	13.8	15.7	24.5	26.6
Downtown	10.5	14.7	22.2	18.9
Suburban	16.0	15.9	25.0	28.2
Sacramento	23.2	23.4	26.1	21.3
Downtown	19.3	17.0	16.6	11.3
Suburban	24.9	25.9	29.3	24.8

Source: Coldwell Banker

account for more than 80 percent of all valuation, about the same proportion as for residential development. The shares differ for nonresidential as opposed to housing, however, pointing up the concentration of business activity in the central urban areas, with residential development in the more suburban counties.

Information on construction by type of project indicates the different trends which prevailed. Industrial projects were surprisingly strong. The other nonresidential category, which includes projects ranging from hospitals to parking structures, continued to gain. The commercial category—which accounts for nearly half the total—was significantly lower. The overbuilding situation in office space has already been noted. There are other factors which undoubtedly contributed to the downturn, however, including the slump in the electronics industry (authorizations in Santa Clara County were down by 20%), uncertainty over changes in the tax law, and uncertainty over the economic outlook among them.

The data in Table IV-12 are not adjusted for inflation. Given the low rate of inflation in the construction industry over the past three years, however, the dollar values would appear to represent primarily real activity.

Additions and Alterations. Additions and alterations are frequently ignored in a discussion of the construction industry. They are an important aspect of overall activity, however. In terms of nonresidential construction, they account for approximately one-fourth of the value of authorized projects. The residential share is somewhat more difficult to generalize, since cyclical fluctuations have a strong bearing on the ratio: alterations remain high even when new housing projects are dropping off. In years of good activity, they account for about 10 percent of all valuations, rising to 15 to 20 percent during a housing slump.

Their strength can be attributed to a number of factors, although quantitative estimates for the impact of individual factors is not possible. Proposition 13, for instance, should have played a role. Under this measure, property is reassessed to the current market value when it is sold. Alteration is an alternative to selling in many instances, and property taxes increase by only one

TABLE IV-11
CONSTRUCTION ACTIVITY IN THE TOP 10 COUNTIES, 1986
(valuation in millions)

	Nonresidental		Residential	
	Value	Percent of State	Value	Percent of State
Los Angeles	$4,078	31.0	$5,033	22.7
Orange	1,483	11.3	1,795	8.1
San Diego	1,187	9.0	3,411	15.4
Santa Clara	837	6.4	657	3.0
San Bernardino	678	5.1	2,091	9.4
San Francisco	594	4.5	287	1.3
Riverside	584	4.4	1,611	7.3
Sacramento	490	3.7	819	3.7
Alameda	438	3.3	753	3.4
Contra Costa	324	2.5	807	3.6

Source: Security Pacific National Bank, California Database

percent of the cost of the modification.

Tax laws have also favored alterations, since special writeoffs were available for reworking historic buildings.

The overall cost situation must also be taken into account. Alteration can avoid the higher price of a comparable new structure without the financing and relocation costs.

Unfortunately, data on nonresidential activity for the late 1970s are not comparable with the series published from 1980 on due to a change in how large projects were recorded. This precludes a direct comparison of pre-Proposition 13 levels and the more recent situation. The data for the residential sector are consistent, however, and illustrate the rising importance of alterations.

Public Construction. The only readily available information on public construction relates to highways. Highway construction continued at a brisk pace in 1986, with the value of contracts awarded by the California Department of Transportation (Caltrans) up 16 percent to $719 million. The size of individual contracts was up more than 13 percent, reflecting the ongoing shift from smaller, repair-type, jobs toward larger, new construction and highway improvement projects.

The growth in contracts is significant, especially considering the stabilization of costs. The Caltrans price index for selected highway construction items grew only 1 percent in 1986 after a 0.7 percent decline in 1985.

The outlook for highway construction in the near term is mixed. The Administration has proposed a $1.7 billion capital outlay for highways for 1987–88. There are more than 1,500 major projects in the transportation improvement program, with many on an accelerated schedule for completion.

TABLE IV-12
NONRESIDENTAL CONSTRUCTION ACTIVITY BY TYPE OF PROJECT
(in millions)

	1984	*1985*	*1986*
Commercial	$5,644	$6,236	$5,742
Percent change	26.6	10.5	−7.9
Industrial	2,020	1,957	2,134
Percent change	53.9	−3.1	9.0
Other nonresidential	1,561	1,800	1,887
Percent change	5.6	15.3	4.8
Additions and alterations	2,744	3,325	3,401
Percent change	3.0	21.2	2.3
Total nonresidential	$11,969	$13,318	$13,165
Percent change	20.8	11.3	−1.1

Source: Security Pacific National Bank, California Database

TABLE IV-13
ADDITIONS AND ALTERATIONS
(in millions)

	Residential		*Nonresidential*	
	Value	*Percent of total*	*Value*	*Percent of total*
1977	840	8.0	na	na
1980	1,234	13.6	1,716	23.0
1981	1,235	16.4	2,079	23.3
1982	1,242	20.1	2,101	24.1
1983	1,493	13.0	2,663	26.9
1984	1,567	10.8	2,744	22.9
1985	1,683	9.6	3,325	25.0
1986	1,861	8.4	3,401	25.8

Source: Security Pacific National Bank, California Database

Employment Trends. As noted earlier, employment in construction reached an all-time high in 1986. In fact, the number of jobs in the sector has now recorded an unprecedented 43 percent growth over the past four years. In 1986 alone, the gain in construction jobs accounted for nearly 11.4 percent of the total job increase in the State.

The annual figures mask the strength which existed. On a December basis, with adjustment for seasonal variation, the construction industry total looks even stronger.

	December	*Percent change from prior December*
1982	335.7	−11.5
1983	405.0	20.6
1984	458.5	13.2
1985	519.1	13.2
1986	549.8	5.9

Outlook. The overall outlook for the construction industry is good for 1987, with continued strength in homebuilding offsetting some weakness expected for nonresidential activity.

There are a number of factors supporting the residential side. The decline in interest rates and the moderate level of inflation are perhaps the two most important. The industry will also derive support from buyers moving up to larger, more expensive housing. Beyond this, however, is a very specific indicator—subdivision filings. These increased 12 percent in 1986. Applications for condominiums, planned developments and stock cooperatives were up 9 percent, with standard applications increasing by 20 percent.

The outlook for the industry was based on three major assumptions:

- Interest rates will remain at approximately current levels, with the prime rate at 8.2 percent and mortgage rates at 10.2 percent or slightly below.
- The overall economic situation will remain positive, with good gains in employment and income.
- The distortions created by tax revision and new permit fees will be temporary, with activity reverting to longterm trends over the next several months.

These various considerations suggest that the construction industry will again be a sustaining factor in the current expansion. Housing authorizations are expected to amount to 280,000 for the year. The drop from the 1986 level is not significant, since it is due primarily to the distortion in the December 1986 level. Single family activity will remain strong at about 150,000 units, while multi-family projects decline to 130,000. The latter will reflect the temporary pullback resulting from the loss of previously available tax writeoffs.

Per unit value is forecast up 4.2 percent. Total residential valuations will amount to an estimated $21.7 billion, of which $2 billion will represent additions and alterations.

Nonresidential valuation is expected to see a decline of approximately 5 percent. Commercial development appears to be falling sharply from 1986 levels. Much of this drop may be due to the new federal tax provisions and high vacancy rates. The industrial component, in contrast, is up moderately and should record a slight gain for the year. Additions and alterations are exceptionally strong, and will be responsible for about 30 percent of total nonresidential construction activity.

Total construction valuation authorized is forecast at $34.2 billion, a decline of 3.2 percent from 1986.

Employment is expected to rise slightly despite this softening in authorizations, as work continues on previously-approved projects. The latest forecast of the Department of Finance calls for a 7.4 percent increase for the year as a whole, with the number of jobs averaging 566,000 for the year.

TABLE IV-14
CAPITAL OUTLAY FOR HIGHWAYS

	Number of contract awards	*Value of contracts (Millions)*	*Percent change in cost index*
1982	580	$281	14.3
1983	694	404	−13.6
1984	636	497	15.3
1985	501	621	−0.7
1986	512	719	1.0

Source: California Department of Transportation

TABLE IV-15
CONSTRUCTION EMPLOYMENT TRENDS

	1984 (Actual)	*1985 (Actual)*	*1986 (Actual)*	*1987 (Forecast)*
Total	445.2	496.2	527.0	566.0
Percent change	20.6	11.5	6.2	7.4
General building	116.8	130.6	139.9	147.0
Percent change	25.5	11.8	7.1	5.1
Heavy construction	64.3	67.2	68.4	74.0
Percent change	5.9	4.5	1.8	8.2
Special trades	264.1	298.4	318.6	345.0
Percent change	22.5	13.0	6.8	8.3

Source: California Employment Development Department
California Department of Finance (forecast)

V. Resource Industries

Agriculture

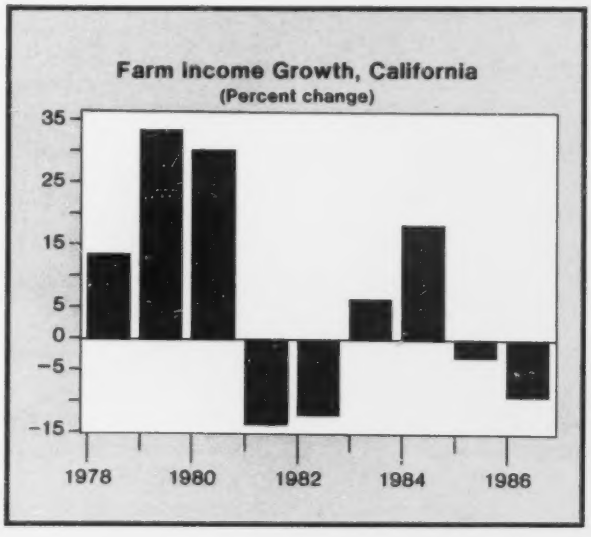
California's farmers and ranchers have learned to live with risk, uncertainty and competitiveness through past years. They faced continued frustration in 1986, although there were tentative signs of improvement that could benefit producers in 1987. Low prices for many products, for instance, were partially offset by lower costs and new government supports.

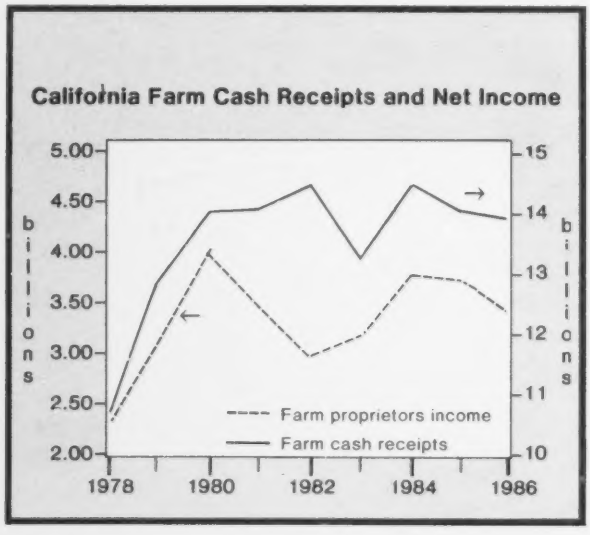
Overall, the variety of California's agricultural industry creates both gains and losses. For example, low alfalfa prices depressed hay growers' incomes but added to dairy farmers' net incomes through lower costs. Low almond yields were partially balanced by increasing exports and higher prices. Government supports for rice and cotton exports made sales possible at competitive world prices. The result was only a slight overall improvement in what to many individual farmers and ranchers was another grim year.

Financial developments continued to receive much attention. Restructuring is evident in farm communities through bankruptcies, auctions, and changes being made by new owners or managers. It has been a difficult year for those on the margin with high debt loads, while those with little debt and whose crops escaped rain, hail and frost damage had one of their better years. For California agriculture as a whole, the various ups and downs added up to a year of little change in gross income and an expected small gain in net income due to lower costs.

There has been an indication of improvement in recent months, however. There are reports that farmland values are firming in many areas, with more buyers interested in properties. Low interest rates could well be a contributing factor in this development.

Lower interest rates were certainly a favorable factor helping to con-





tain costs. The typical farmer has high financing requirements for initial production costs and for investment in equipment. Lower interest charges may even have helped save some operations which might otherwise have been forced into bankruptcy.

Falling energy costs were also welcomed. Energy accounts for 14 percent of all farm production expenses and 22 percent of operating costs. Its importance is considerably higher than this for farms which have substantial water pumping requirements for crops which require heavy irrigation. Feed costs were down as well, due to lower prices for alfalfa hay, wheat, corn and soybean meal. Each of these is an important cost element for livestock and poultry producers.

Farm Marketings. Cash receipts from farm and ranch marketings amounted to $14.4 billion in 1986, up 1 percent from 1985. Fresh fruits and vegetables continue to enjoy favor among increasingly health conscious consumers. Production of vegetables, melons, and strawberries, which account for 21 percent of the total value of production, was up by 3 percent, with average prices also higher. The result was a gain in the average value of production per acre for this group of crops from $3,121 in 1985 to $3,366 in 1986.

Livestock and poultry receipts were down 1 percent, in contrast, a small decline that masks changes within the industry. Cattle feedlot marketings were down 20 percent while broiler and turkey production was up. The year started with milk production running 12 percent ahead of 1985 but—due to the Dairy Herd Termination Program—monthly production increases tapered off rapidly. Stronger prices for almonds and grapes and another good year for citrus growers also contributed to the overall modest gain in cash receipts.

Total production as measured in tons was estimated at 52.2 million tons, a 1 percent decrease from 1985. Fruit and nut crops that were in bloom during February rains suffered poor pollination and sharply lower yields. Field crop production was down due to heavy participation in government programs that restricted cotton and grain acreage. Marketings of fed cattle also declined.

The spread between farm and retail prices continued to shrink. In 1980, farmers received an average 37 percent of retail prices. By 1986 this had fallen to 29 percent. The average masks the fact that some products command a far higher share for the producer. Beef and poultry growers, for instance, receive a share of about 60 percent of retail prices. For vegetable growers the proportion is nearer 25 percent. The larger spread has been one factor encouraging direct marketing to the consumer. While there are no good estimates on how important a factor this has become, it appears to be no more than 2 percent of the table foods grown in California. The popularity of farmers' markets, however, suggests that they will continue to grow.

Dairy Herd Termination Program. The Dairy Herd Termination Program is an 18-month effort to reduce the size of dairy herds and thereby reduce the government's purchases of dairy products. Farmers participating in the program agree to stay out of dairy farming for five years. In effect, the government bought out their herds, which left farmers free to sell their cattle for beef. Farmers were selected for buyout on the basis of their bids, set to compensate them for the loss of income over the five year period. In practice, many small herds were eliminated, with larger herds remaining intact.

An estimated 115,000 cows will be eliminated in California, representing an 11 percent cut in the dairy cow inventory. Most animals are being sent to slaughter, with a few being exported, especially to Mexico.

As with any program, there have been both positive and negative short run impacts. The additional supply of beef available from the slaughter program was a factor in holding down meat prices for much of the past year. In addition, prices have been restrained because of the increased demand for poultry and fish, due to dietary concerns.

Outlook. Cautious optimism prevails in the California agricultural sector of the economy. While the days of booming expansion are not returning the decline seems to have ended. Essentially, since things are not getting worse, they tend to look better.

Favorable factors include the apparent bottoming out of the export market. Although grain prices are still at disastrously low levels, prices of almonds and cotton have revived and increases in shipments of raisins, prunes, wines and citrus fruits have been recorded. The devaluation of the dollar has made California's agricultural products more competitive. Also, there are small gains in removing some of the trade barriers: fresh cherries and in-shell walnuts will now be allowed into Japan and restrictions on wines in Taiwan have been lowered substantially.

Concern over competitiveness of California's agricultural products

and the revitalization of the rural economy are leading to programs and legislation that affect farmers and ranchers. Various programs are underway to stimulate exports. For example, California's agricultural products are displayed aboard the Golden Bear, the California Maritime Academy Training Ship. The Golden Bear spends several months a year on training missions to foreign ports where receptions introduce people to the products available from California. Last year the ship visited the Vancouver Expo and Australia. The 1987 schedule calls for visits to the Philippines, Singapore, Hong Kong and Japan.

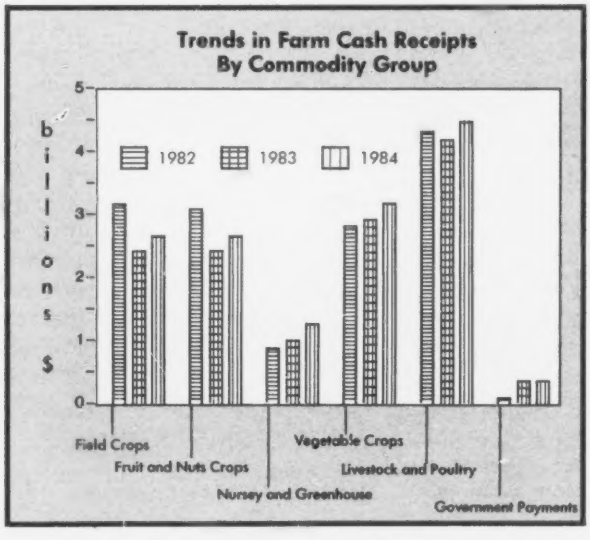
The new California trade office in Tokyo will promote interest in a wide range of California products, including many agricultural products. Funding assistance for promotion of exports at both the Federal and State levels is expected to continue and many California commodity exporters are taking advantage of this opportunity. Export assistance generally takes the form of matching funds for the promotion of agricultural exports. Five million dollars have been budgeted for this effort at the State level.

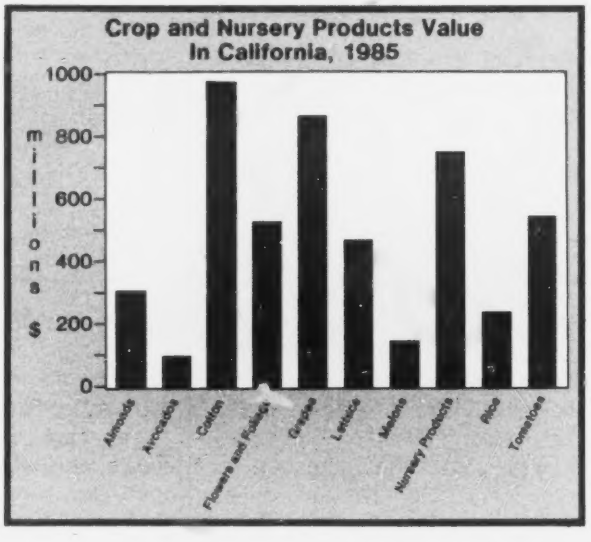
Producers continue to face non-price barriers, however, which effectively close many markets to California agricultural products. This subject is discussed at greater length in the Chapter on Foreign Trade.

Government payments are not particularly large overall in the State. In 1985 they amounted to $301 million: 2 percent of California's cash receipts and 4 percent of the national total. This is small considering that California accounts for 10 percent of the national value of agricultural production.

Farmers who grow subsidized commodities, especially cotton, rice and wheat, received record levels of support from the Federal government during 1986 but will face lower limits this year. Since supported crops constituted only 11 percent of California's cash receipts from farming, this decrease in support will not disrupt the total California agricultural sector. Crop supports have been sharply curtailed by Federal budget cutting required by the Gramm-Rudman-Hollings deficit reduction act. The most significant change for California will be the $250,000 limit to any one applicant for price supports, which was established because of adverse publicity arising from exceptionally large payments to a few individuals. One result of this limit is likely to be the return of a substantial amount of land to cotton production. Cotton growers in California have done well in recent years by producing and marketing a high quality, uniform staple length cotton that is in heavy demand by Asian textile and apparel manufacturers. If production rises sharply however, there is likely to be downward pressure on prices, with potential problems for even well-positioned growers.

Issues Facing Agriculture. There are a number of issues facing agriculture—issues which could have a significant impact on the operations and future development of the industry. Primary among these is the potential effect of Proposition 65, which could limit chemical use in agriculture. Proposition 65 requires the identification of chemicals which present serious health hazards and their elimination from the ground water system. There are concerns that many of the more effective compounds used to eradicate infestations and increase yields may be banned.





This will pose a dilemma for many farmers, and challenge their ingenuity in continuing to increase yields with new technologies.

The toxics issue has already become critical at the Kesterson Reservoir in the San Joaquin Valley. The build-up of salts in the lower Valley over the years has raised questions about the potential impact on agriculture in the area. The discovery of selenium toxicity there led to the establishment of the San Joaquin Valley Drainage Program in 1985. The overall objective of this program—which involves federal and state cooperation—is to investigate and develop solutions to problems arising from the drainage of water from irrigated agricultural land in the Valley. At this time, the focus is on arsenic, boron, chromium, nickel and selenium contaminants.

Another issue relates to water availability. Falling ground water levels have sharply escalated pumping costs for growers. Various enhancements to the State Water Project to compensate for the drop are under study, with construction of an enlargement to the East Branch Aqueduct underway.

Protection of the Sacramento-San Joaquin Delta estuary is also receiving attention. Hearings on the subject will examine a wide variety of issues, including the economic value of individual uses of the water and the division between agricultural and urban consumers.

On a broader scale, local programs involving conservation, ground water recharge and the management of agricultural drainage water are being supported by low-interest loans. These programs are especially important for the agricultural economy of the Central Valley as well as for protection of the environment.

Another concern relates to administration of the Immigration Reform Act that will change the patterns of labor use in agriculture. For example, it is anticipated that the farm work force will become more stable than it is currently. The provision in law for guest workers during peak harvest periods has also met with favorable reaction. There are concerns, however, that the agricultural industry may face longer term problems with its labor supply. There is an historical pattern of farm workers accepting agricultural work as a temporary situation until a more permanent, higher paying job can be found in the nonfarm sector.

Programs such as those required by Proposition 65 and immigration reform create new rules and regulations within which agricultural producers must operate. At present, however, there are no clear statements as to how they will be interpreted, administered, and enforced. These and other pressures of government regulation are becoming a factor in the agricultural decision making process and are encouraging some producers to leave agriculture and others to consolidate their operations into units that can support legal staff, labor specialists and new technology development.

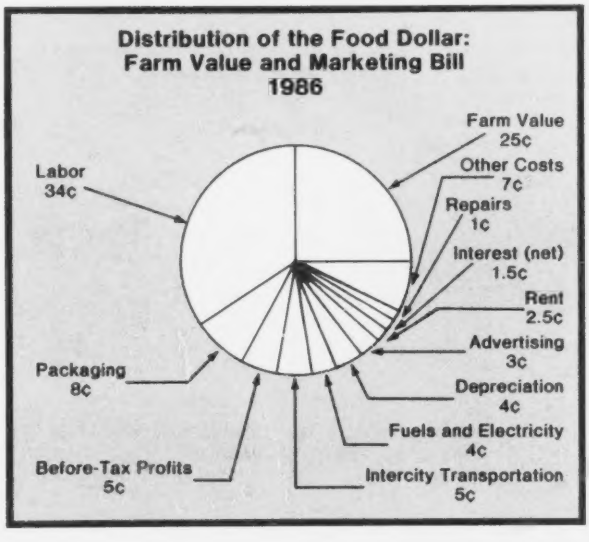
Forestry

The strength of the California and national housing markets led to further recovery in the lumber industry over the past year. Lumber production in the State increased an estimated 13 percent to an estimated 4.7 billion board feet from 1985 to 1986. Wholesale lumber and stumpage prices were both up, reflecting the strong demand for building materials.

TABLE V-1
CALIFORNIA LUMBER PRODUCTION, 1980–86

Year	*Million board feet*	*Percent change*
1980	3,768	
1981	3,224	-14
1982	2,987	-7
1983	3,574	20
1984	3,891	9
1985	4,168	7
1986 (est.)	4,708	13

Source: Western Wood Products Association, California Department of Forestry estimate



Employment in lumber and wood products was a good indicator of the industry's situation, posting a 7 percent increase from 56,300 employees to an estimated 60,000. Employment in paper and allied products showed a modest 1 percent increase. The gain in lumber employment put the total for the industry at its highest level since 1980.

As would be expected given these gains, the jobless rate in the eight primary timber-dependent counties fell significantly. The range of 7 to 13 percent for their unemployment rates was down 1.5 to 2 percentage points from last year. This improvement reflected both increased activity in the lumber and wood products industry and secondary impacts throughout the county economies.

The seasonal nature of the lumber industry and its dependence on business cycle developments contribute to the relatively high rate of unemployment even when a major economic expansion is underway. Efforts to diversify into other industries and activities have been hampered by geographic isolation. One notable exception, however, is Mendocino County, which has managed to cultivate a significant tourist industry providing year-round job opportunities. Lumbering, still an important activity, is nevertheless being overshadowed by stronger growth sectors. Other counties continue to look for ways in which the economic base can be expanded into more stable industries, but success has been limited.

TABLE V-2
UNEMPLOYMENT RATES IN SELECTED LUMBER-PRODUCING COUNTIES, 1985 AND 1986

	1985	*1986*
Del Norte	14.5	13.0
Nevada	8.2	7.0
Humboldt	10.6	9.0
Mendocino		
Shasta		
Sierra	13.0	12.0
Siskiyou	15.0	13.0
Trinity		

Source: California Employment Development Department

The issue of Canadian lumber imports took center stage for most of the year at the national level. Imports have accounted for up to one-third of the national market in recent years, although they accounted for less than 6 percent of the California market. A concerted effort by the lumber industry led to a 15 percent tariff being placed on lumber from Canada, as well as on shakes and shingles.

This has helped California and other domestic producers in the short run. Wholesale lumber prices are up an average of 11 percent, while stumpage prices have risen 34 percent. The number of timber harvest plans filed with the Department of Forestry increased to 1,256 from 1,168 a year ago. The industry will continue to face competitive pressures from Canada and other nations, however, as long as the dollar remains strong relative to their respective currencies. Additional competition for California producers will come from other parts of the United States as well.

Planning Efforts. Many of the measures the forest industry has taken to become more competitive are beginning to bear fruit. Capital investment, combined with the closing of old facilities and concessions from organized labor, have led to higher productivity. In 1981, average productivity was 6.8 person-years per million board feet (MMBF) of lumber produced. By 1985, productivity gains had lowered the employment/lumber ratio to 4.89.

The industry also continues to restructure in response to changing market conditions. Louisiana-Pacific Corporation (L-P) purchased 98,000 acres from Timber Realization Company, which was formed to liquidate the holding of Masonite Corporation in 1982. L-P has offered to sell a portion of these lands along with Navarro River for eventual use as state park lands. Georgia-Pacific Corporation also reached an agreement with conservation interests that includes the sale of redwood lands for eventual park use, as well as timber production for community interests. MAXXAM Corporation, after taking control of the Pacific Lumber Company in late 1985 through a leveraged buyout, has filed timber harvest plans to increase harvesting from past levels.

TABLE V-3
PRICE TRENDS IN THE LUMBER INDUSTRY

	1980	*1981*	*1982*	*1983*	*1984*	*1985*	*1986*
Framing lumber composite index	203	195	169	221	199	194	206
Douglas fir: standard & better 2×4	209	190	167	222	202	175	215
California ponderosa pine, #3, 1×2	300	300	259	251	278	226	249
Douglas fir plywood ⅜ ", CD ext.	155	148	135	154	152	150	157
Stumpage ($):							
Douglas fir	189.50	146.70	50.00	63.30	65.45	62.19	64.00
Ponderosa and Jeffrey pine	206.10	196.20	66.90	104.00	127.89	94.92	157.00
All species	252.20	156.10	54.50	76.90	80.70	65.46	88.00

Source: California Department of Forestry

Long range planning has increasingly been recognized as essential for the lumbering industry. The focus of such efforts in recent years has been on the national forests, which account for half the forest land in the State. The national Forest and Rangeland Renewable Resources Planning Act of 1974 required the staff of each national forest to prepare a 40 year plan of asset management for budget and programmatic purposes. These plans were due in 1985, but technical problems delayed some of them from being submitted until 1987. The U.S. Forest Service began releasing draft national forest plans and environmental impact statements for public review in 1986. Fifteen of the 18 national forests in California have released their plans, as well as one for the Lake Tahoe Basin Management Unit. Plans for the Cleveland and Toiyabe National Forests are final, while those for the Six Rivers, Klamath and Shasta-Trinity National Forests have yet to be released.

The planning process is designed to balance the outputs of each forest and insure their preservation for future generations. The primary elements include timber, watershed, range grazing, wildlife habitat, fisheries and recreation. Each of these aspects has a major impact on the local economy. The object is to protect competing interests, while still permitting a level of development which can be sustained by the forest.

The draft plans have generated substantial public comment from a wide variety of interests. The Department of Forestry and Board of Forestry are involved in the review process, examining each plan from the standpoint of issues developed during the Board of Forestry Centennial II process in 1985. While most of the public discussion has centered on individual forest plan elements and choices, it is clear that the aggregate effects of adjacent forests and private lands must be addressed in the near future.

The plans are to be reviewed every five years to insure that the alternative selected for individual forests continues the best course.

TABLE V-4
PRODUCTIVITY IN LUMBER AND WOOD PRODUCTS, 1980–86

Year	*Employment in Logging Sawmills*	*Lumber Production MMBF*	*Employment per MMBF*	*Percent change*
1980	24,200	3,768	6.42	
1981	21,800	3,224	6.76	−5
1982	18,100	2,987	6.06	10
1983	19,700	3,574	5.51	9
1984	20,900	3,891	5.37	3
1985	20,400	4,168	4.89	9
1986 (est.)	23,000	4,708	4.89	0

Source: Employment Development Department
Western Wood Products Association

Mining

California continued as the leading state in the nation in the production of nonfuel minerals during 1986. Value increased to an estimated $2.3 billion last year from the $2.1 billion reported in 1985. California led all states in the production of asbestos, boron minerals, diatomite, portland cement, construction sand and gravel, rare-earth metal concentrates, and tungsten ore and concentrates. It was second in the production of natural calcium chloride, calcined gypsum, magnesium compounds from seawater, sodium carbonate, and gold.

Industrial minerals, including boron minerals, cement, clays, diatomite, and sand and gravel among others, accounted for the bulk of California's nonfuel mineral production, comprising more than 90 percent of the State's mineral production value.

Exploration for and development of precious metals deposits continued throughout the year. California is now the second leading gold producing state in the nation having tripled the production value in 1986 to $162.5 million from the 1985 value of $52.5 million.

California's deserts produce over 54 percent of the state's nonfuel mineral resources—a share which has been increasing over the past 40 years. Proposed national legislation would withdraw portions of the desert from new exploration and mining. This has raised concerns about the ready availability of some minerals and the possibility of increased dependence on imports in the future.

Energy

Energy consumption continues to increase slowly in California. Preliminary estimates put the gain at 3 1/2 percent for 1986, compared with a 2 percent rise in 1985. Oil and natural gas together provide 86 percent of all energy needs.

Transportation accounts for nearly half of all energy use, followed by industrial users who consume 29

percent. Residential customers require 13 percent of the total, with commercial customers taking 8 percent.

After a number of years of higher energy prices, California consumers are finally experiencing relief, particularly for petroleum fuels. In real dollars gasoline today is about one-half its peak price in 1980 and essentially the same price as gasoline prior to the 1973–74 increases in petroleum fuel prices.

Transportation Energy. Transportation represents 49 percent of total statewide energy consumption, and relies nearly entirely on petroleum products. The California Energy Commission forecasts that gasoline demand will increase by 16 percent between 1984 and 2005, with aviation fuel demand up 44 percent and diesel fuel demand increasing 29 percent.

Gasoline sales rose to nearly 12.3 billion gallons last year surpassing the previous all time record of 11.9 billion gallons set in 1978. Lower gasoline prices were a major factor in the increase in demand, although the continued economic expansion and the larger numbers of vehicles and drivers undoubtedly contributed to the rise. The average fuel cost per mile for California's fleet of cars and trucks is lower than it was in 1970. Fuel efficiency improvements in new cars began to drive down fuel cost per mile in 1979. The retail price of gasoline adjusted for inflation in 1986 was about 6 percent lower than it was in 1970 and the average fuel economy for all cars and trucks had increased by 25 percent over the same period. By 1986 the combination of lower prices for gasoline and increased vehicle fuel efficiency had produced a 29 percent lower average fuel cost per mile.

TABLE V-5
ENERGY USE IN CALIFORNIA

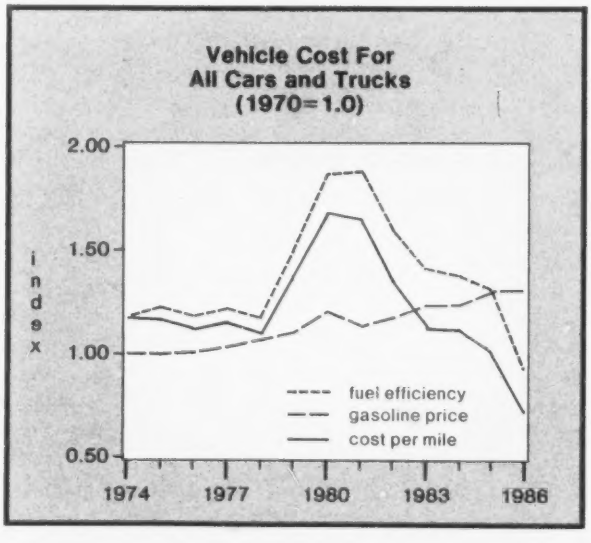
	Trillion BTU	*Percent of total*
Principal energy supplied		
Natural gas	1,981	30.7
Petroleum	3,566	55.3
Other	900	14.0
Total	6,447	100.0
End use energy delivered		
Electricity	641	11.5
Natural gas	1,298	23.4
Petroleum	3,535	63.7
Other	77	1.4
Total	5,551	100.0

Source: California Energy Commission

TABLE V-6
AVERAGE RESIDENTIAL PRICE IN 1985 DOLLARS

	Gasoline cents/gallon	*Electricity cents/kWh*	*Natural Gas cents/therm*
1979	134	5.9	35
1980	167	7.3	46
1981	166	7.3	44
1982	143	8.1	49
1983	127	7.3	57
1984	123	7.3	58
1985	119	7.9	54
1986	83	7.9	50*

* Through October 1986.
Source: California Energy Commission.



Since the average life of a car is 10 years, the average fuel efficiency of vehicles on the road today still reflects a large portion of older, inefficient cars. Even if the fuel efficiency of new vehicles does not increase from its current level, the fleet efficiency will improve for years as old cars and trucks are removed from the vehicle stock.

Oil and Gas. Oil supplied 55 percent of California's basic energy needs in 1985, the latest year for which data are available.

As the price of oil dropped last year the incentives to explore and develop new oil and gas resources were also cut back. At the same time, economic and population growth, combined with a decline in real energy prices, have increased petroleum consumption since 1982 despite the gains made over the last decade in using energy more efficiently.

Petroleum demand increased 6 percent between 1983 and 1985 in California. Total petroleum consumption is expected to keep on growing, although petroleum's share of total energy demand should decrease in the future.

California produces about 13 percent of the nation's domestic crude oil and ranks fourth in the nation among the oil-producing states behind Texas, Alaska and Louisiana.

At the beginning of 1986, approximately 50,460 oil wells were producing, compared with approximately 48,790 at the same time in 1985. Oil production in California decreased for the first time in eight years, however, reflecting declining oil prices and the U.S. Department of Energy's cutback at the Elk Hills Naval Petroleum Reserve. Preliminary estimates put production in 1986 at 408 million barrels, a 3.8 percent decrease from the 423.9 million barrels produced in 1985. These production figures include Federal Outer Continental Shelf (OCS) production, which accounted for about 29.2 million barrels in 1986 compared to 29.6 million barrels in 1985, and production from state tidelands, which decreased from 39.5 million barrels in 1985 to about 34.8 million barrels in 1986. The state tidelands area lies within 3 miles of the shoreline.

Kern County was particularly hard hit by the fall in oil prices. Kern is the primary oil-producing county in California, accounting for 63 percent of the state's total onshore and offshore production. Los Angeles County, with 13 percent of the total, is the second largest oil producing county.

Incremental oil production—oil produced as a result of enhanced-recovery projects—totaled 234.8 million barrels in 1985, or 55 percent of California's total oil production. 1986 figures are not yet available. Steam stimulation of heavy-oil reservoirs was credited with about 170.9 million barrels, or 73 percent, of all the incremental oil produced in 1985. Waterflood operations accounted for about 62.3 million barrels, or 27 percent.

Approximately 30 percent of the state's total energy need is met by natural gas. About one-third of this gas is used to generate electricity, with the remainder divided between residential, commercial and industrial customers. The price and availability of natural gas probably will remain stable and adequate for the near term.

After 7 years of increases, averaging about 11 percent per year above inflation, average gas prices peaked in 1983. The decline that began in 1984 continued through 1986. Price behavior will respond to the prices of crude oil, the volumes of gas being sold, and Federal and state regulatory policy. Recent and pending decisions by the California Public Utilities Commission on contract carriage, utility sales rates, and other aspects of the natural gas regulatory framework are contributing to an increasingly efficient and competitive gas market within the State.

Natural gas production in California decreased 3.4 percent last year to about 477 billion cubic feet. At the beginning of 1986, 1,305 gas wells were in operation, compared with about 1,270 at the same time in 1985.

Both oil and gas reserves continue to rise. At the beginning of 1986, California's proved oil reserves—oil that can be recovered economically with existing technology and at current prices—were estimated at 5.7 billion barrels. Proved gas reserves were estimated at 4.9 trillion cubic feet. These were up from 5.3 billion barrels for oil at the start of 1985, and 4.8 trillion cubic feet for gas.

The number of new oil and gas wells completed to production decreased from 3,164 in 1985 to about 2,100 in 1986. The number of new wells drilled decreased from 4,060 in 1985 to about 2,400 in 1986, which discouraged new investment in the industry. The drilling decrease was directly attributable to declining oil prices. Federal offshore drilling statistics are not included in these figures.

Improvement in onshore production in 1987 is predicated on production increases from enhanced-recovery projects—primarily steam-injection projects—and on increased oil prices. Any significant oil discover-

ies will be restricted to deep formations. Prospects for significant increases in gas not associated with oil production are confined to the Sacramento Valley, but are not very encouraging.

Offshore, production in the Federal OCS areas will increase as new fields are brought into production. Production in the state tidelands area will probably continue to decline in 1987 because development has not begun on recent tideland discoveries. Many promising areas for new oil and gas fields exist in both state and Federal offshore areas.

A major natural gas issue now facing the State is the maintenance and expansion of California's heavy oil resources through thermally enhanced oil recovery (TEOR) technology. Natural gas is the fuel of choice for TEOR operations, and its use in conjunction with TEOR production could create a new gas market that might exceed 20 percent of California's current gas demand. In response to the potential large increase in TEOR gas use, both California's gas utilities and newly-formed interstate pipeline companies are vying for the opportunity to serve this growing market.

Electricity. In 1985, California received about 72 percent of its electricity from power plants in the State or from coal and nuclear plants in neighboring states that were owned or operated by California utilities. With natural gas prices at relatively low levels, 31 percent of the state's electricity was generated from natural gas. Hydropower accounted for 16 percent, with coal, nuclear, and geothermal generation comprising most of the remainder of power from plants owned by California utilities. Purchases from power plants in the Northwest and Southwest accounted for about 28 percent of the supply of electricity in California.

Cogeneration and other small power producers are a growing source of electricity in California. From the first quarter of 1985 to the first quarter of 1986, small power production as a source of utility sales increased from 3 percent to 5 percent.

Self-Generation of Electricity. A significant trend is developing in the production of electricity in California. Former utility customers have begun building electric generation facilities to meet their own needs and reduce purchases from the utility.

The motivation to self-generate flows from the combined effects of higher electricity rates (due mostly to expensive plants coming into utility ratebases), attractive costs for small cogeneration equipment, and low fuel prices for gas-fired generation systems. Many electric utility customers can avoid high retail rates in effect by building their own power systems. The self-generators represent a potentially large source of electricity supply in California, and an equivalent loss of utility sales, which could have significant financial effects on utilities and ratepayers.

Utilities are concerned that self-generation would—in the near term—result in a net reduction in utility revenues because the revenues lost from self-generation would typically be greater than the costs saved by not having to meet the self-generation load. This could result in higher rates for remaining customers. Utilities and California Public Utilities Commission are responding by lowering rates to industrial customers, and utilities are trying to negotiate with prospective self-generators to offer rates that cover variable costs while still making some contribution to fixed costs.

Geothermal Production. California ranks first in the nation and the world in generating electricity from geothermal resources. Geothermal accounted for 4 percent of the state's electricity in 1985. Statewide, 32 geothermal power plants are on line with a generating capacity of 1,912 MW (megawatts). Nine other power plants are either in the planning or construction phase.

About 3.7 percent of the electricity sold by California public utilities is generated from the state's geothermal resources. Most of this electricity is generated at The Geysers Geothermal field in Lake and Sonoma Counties. The generating capacity at The Geysers was 1,719 MW in 1986, compared with 1,609 MW in 1985. Four power plants now in the permitting or construction stage at The Geysers will add a generating capacity of 394 MW by 1990.

In the Imperial Valley, a 35 MW binary power plant went on line in East Mesa Geothermal field in 1986. A 10 MW binary plant is still operating in the field. One 49 MW dual-flash plant and one 47 MW binary plant are operating in the Heber Geothermal field. The Salton Sea Geothermal field has one 35 MW and one 10 MW dual-flash plant in operation, with two more power plants under construction.

In Mono County, a 7 MW geothermal power plant is operating at the Casa Diablo Geothermal field near the city of Mammoth Lakes, and a small 0.6 MW binary plant is operating at Wendel in Lassen County.

Geothermal exploratory and development drilling activities increased

during 1986. About 81 wells were drilled last year, compared with 66 wells in 1985. Exploratory drilling decreased from 4 wells in 1985 to 2 wells in 1986. During 1986, about 31 development wells (excluding Federal wells) were drilled in The Geysers, Calistoga, Heber, and Salton Sea Geothermal fields, compared with 26 wells in 1985.

Protecting the Environment

Economic development is inevitably accompanied by environmental costs. These costs are not measured in terms of dollars so much as quality: the gradual erosion of the physical structure which gives California its strength and appeal. In effect, this is the ultimate resource with which all Californians must be concerned.

Over the years there has been increasing attention to the various aspects involved. Environmental impact reports are now a matter of course for new development projects. Concerted efforts to improve air quality have brought about a substantial improvement—reversing the trend toward pollution which went unchecked for so long. The problem of dealing with waste is being addressed. The most recent addition to the list is the toxics situation. Each of these is vitally important for the future development of the State.

Toxics. The toxics issue was addressed by initiative in 1986 with Proposition 65, The Safe Drinking Water and Toxics Enforcement Act of 1986. Approval of that intensely debated measure was followed by the creation of a state office to implement the directives of the Proposition. A "candidate list" of up to 200 chemicals will be considered by a scientific advisory panel of the State Health and Welfare Agency.

The initial effort has been the identification of 29 chemicals which are considered dangerous: 26 carcinogens and three which cause reproductive toxicity. Few of these are significant in the agricultural industry, which had expressed concerns about potential chemical prohibitions and its ability to maintain production levels. Several of the chemicals on the initial list are of industrial significance, however.

Listing of a chemical leads to the requirement that warnings be developed within one year for potential exposure. The discharge of a chemical into sources of drinking water is prohibited 20 months after its listing. There are some exemptions included in the law.

The economic impact as a result of Proposition 65 cannot be determined at this time, given the early stage of the process and the time frame involved in the prohibition. As with any new program, there will undoubtedly be mixed reactions to its implementation. Changes in production methods may be required in some instances. Over the longer run, however, the costs and benefits should balance out on the benefit side, effectively strengthening the potential for sustained, long-term growth.

Air Quality. Another challenge in environmental terms is continuing gains against air pollution in the face of steady economic growth. At the same time, the issue of toxic air contaminants must be dealt with—an issue that was not even recognized as a problem two decades ago.

All areas of the nation are now facing the Federal Clean Air Act deadline to reduce air pollution to health protective levels by the end of 1987. The Los Angeles area and at least four other areas in the State—Sacramento, Fresno, Kern and Ventura—will fall short of this federally mandated goal. There will almost certainly be other localities in the State and throughout the nation which anticipated meeting the standards but failed to do so.

Congress gave the Federal Environmental Protection Agency (EPA) the authority to impose economic sanctions against areas which fail to meet the clean air standards by the 1987 deadline. To avoid being sanctioned by EPA and to ensure that as much health protection as possible is achieved, California has proposed a comprehensive program to review and improve the existing pollution control efforts to reduce emissions from vehicular and stationary sources.

The State Air Resources Board (ARB), which has primary responsibility for reducing emissions from motor vehicles, has pledged to achieve a 25 percent reduction in emissions from the state's vehicle fleet by the year 2000. Most of the reduction will be achieved by improving existing technologies. For example, the State is exploring ways to make existing auto smog controls more durable. The State will also explore the possibility of expanding the scot "traps" recently developed for use on diesel cars, trucks and buses.

By the year 2000, we will approach the technological limits of vehicle emission controls, with most vehicles emitting only 10 percent as much pollution as pre-control vehicles in the 1960's. The increasing number of cars on the road, however, will overwhelm the lower emissions from the individual vehicles, and this will begin to reverse

the downward trend in air pollution now being experienced in most urban areas. The use of fuels which are inherently cleaner than gasoline and diesel provide the most promise for continuing emissions reductions from the vehicle fleet without forcing drastic changes in the transportation system. Methanol is the most promising of the clean fuels.

Several State agencies and industries are working together to explore the process of making the transition to methanol. Industry and government now operate a statewide fleet of nearly 1000 methanol-fueled cars and buses. This large-scale demonstration will allow an assessment of emissions from methanol vehicles while establishing a basic fuel supply network. Methanol is available in limited quantities today. In the intermediate term, methanol production from natural gas appears to be the most likely possibility. Over the longer run, however, methanol could be produced from the vast coal reserves which exist in the United States. Transportation via pipeline has already been tested on a limited scale. Methanol is, therefore, an alternative which will receive increasing attention in the future.

The emphasis in industrial pollution control is on reviewing and improving the effectiveness of existing programs operated by local and regional air pollution control districts. In-depth program assessments, conducted by the ARB and EPA, will help local districts get the maximum possible air quality improvement under the current law. The ARB will also expand its efforts to work directly with industries that must comply with air quality rules. This effort will focus on ensuring that air pollution control requirements are clear and that industry has adequate knowledge to fully comply with existing rules.

Toxic Air Contaminants

In 1983, the Governor signed into law a program which provides a systematic approach to identifying and controlling toxic air contaminants. Under this law, the State identifies individual compounds as toxic air contaminants based on the most current scientific information available. The ARB is assisted in the identification process by the Department of Health and advised by a nine-member panel of experts appointed by the Secretary of Environmental Affairs and the leadership of the Legislature. Six compounds were identified as "toxics" in 1985 and 1986: asbestos, benzene, chromium, dioxins, ethylene dibromide and ethylene dichloride.

The regulation of toxic chemicals is preceded by detailed study of the individual issues:

- present and anticipated emissions and estimated levels of exposure;
- chemical characteristics of the substance in the ambient air;
- inventory of sources;
- availability and technological feasibility of control measures;
- approximate cost of each airborne toxic control measure and the magnitude of risk by source;
- assessment of substitute compounds of a less hazardous nature, and
- potential adverse effects from implementation of control measures.

The overall assessment is undertaken by the Air Resources Board in consultation with pollution control districts throughout the State, sources which will be affected by the regulation and representatives of the public.

Asbestos has been partially controlled over the past decade. An overall strategy for reducing benzene emissions was approved in 1986. The feasibility and cost-effectiveness of each component will be reviewed by the Air Resources Board. Finally, the program may be approved for implementation at the state level or recommended to local agencies for adoption.

Solid Waste. The issue of solid waste is also important in the overall protection of environmental resources.

Economic development inevitably involves the creation of waste in the process of growth and renewal. California was the first state in the nation to recognize the problems this could present. A comprehensive program was introduced in 1972 to ensure that nonhazardous waste disposal could be accommodated over time.

The program draws in state, county, city and business interests in the effort to identify expected growth and needs for disposal sites. The success of the program is illustrated by the fact that new landfill capacity continues to exceed waste generation. This is only one more indication of the comprehensive strategy being undertaken to balance the need for growth and environmental concerns.

VI. Issues for the Government Sector

Issues facing government are often difficult to evaluate. They are subject to delayed implementation and long term impacts which can become indistinguishable from the effects of other forces. Often, situations which initially appear critical turn out to be a minor factor at the most. On the other side, there can be developments which are of little concern in the short run, but which have extremely important impacts several years out.

There are two issues facing government currently which illustrate these different situations: the Gramm – Rudman – Hollings deficit reduction measure and the State Appropriation Limit.

Gramm-Rudman-Hollings

Gramm – Rudman – Hollings (GRH) represents the former case. Immediately after its passage there was a great deal of concern that the constraints it imposed on the federal sector would lead to severe funding gaps at the local level with negative implications for the entire economy.

The reality has been considerably different. Deficit targets have been set, but not met. There has been only limited progress in bringing expenditure totals down toward the level of available resources. The best that can be said for the legislation so far is that it forces at least nominal consideration of budget targets. GRH has become basically a non-issue.

The primary impact for California has been the final elimination of revenue sharing for local governments, a program endangered even before GRH was enacted. This has been most critical for rural counties, which have had the most serious financial problems over the last few years. Their generally limited economic base and lower property values, among other factors, have constrained growth in taxes and affected their ability to meet the range of services demanded.

Reductions have been proposed for various health and welfare programs, but there is no estimate of the overall impact because local entities deal directly with federal agencies in applying for grants and other financial assistance. Decentralization of state government activities in California—involving the return of control to local governments—has been accelerating in recent years. This has come about in part because of the revenue and spending limits faced by the State. Resources are no longer available to help with specific program funding shortfalls. The fiscal situation is, in effect, far different from that which existed when Proposition 13—the property tax limitation initiative—was passed.

The State Appropriation Limit

The Appropriations Limit is one of the more significant developments to have come about in California in recent years. While this directly affects only State and local governments, it has broad implications for the entire economy. In the final analysis, it may prove to be as powerful a factor in shaping California's future as Proposition 13.

Proposition 13 was approved in 1978, and its effects were felt immediately. The Appropriations Limit was approved by the people one year later as Proposition 4, establishing Article XIII-B of the California Constitution. It was designed to hold government spending in check, limiting growth to an increase reflecting population gains and price increases.

There was little immediate concern about the limit in the years following its passage, since inflation was running higher than revenue and

expenditure growth. With the virtual containment of inflation, however, the Appropriations Limit has become a critical element.

Appropriations were specifically defined in the proposition. They exclude, for instance, any expenditures approved by two-thirds of the voters. Expenditures from bond funds are excluded by this provision, since they must be voter approved. Also exempted are costs arising from federal or court ordered mandates over which the state and local governments have no control. Expenditures from special fees—such as those for drivers licenses—are excluded.

Overall, about two-thirds of the state's Budget is subject to the Appropriations Limit.

The formula for the State Appropriations Limit is based on two factors:

- The increase in civilian population from January 1 of one year to January 1 of the next.
- The increase in per capita income as of the fourth quarter or the U.S. consumer price index as of March, whichever is less.

Local governments use population growth rates for the specific county in combination with the overall price factor calculated for the State.

The selection of the lower of the CPI or per capita income measure was intended to prevent government costs from escalating faster than the ability of people to pay. The situation could arise, for instance, if only the price measure was a factor, and price gains steadily and significantly outstripped income gains. In reality, income gains have been more rapid than price rises in recent years.

The wording of the Initiative did not cover data revisions, which can be substantial on occasion. For instance, the U.S. Census Bureau determined in the mid-1980's that population in California had been significantly underestimated, due to the problem of accounting for migration flows of undocumented aliens. They added 182,000 persons to the state total. This was subsequently "wedged in" to the figures back to the decennial census control total for 1980 to avoid the problem of a sudden shift in the series to the new level.

The additional population represented by this adjustment obviously had to be taken into account, since it did impact the demand for government services. In effect, the population growth was calculated on the basis of the "old", or pre-adjustment population figure for the previous year and the "new" population total for the current year. The large gain which resulted effectively made up for undercounting—and unrealistic restrictions—placed on various jurisdictions in the previous several years.

The price factor has also been subject to change. For instance, personal income recently underwent a significant revision by the U.S. Bureau of Economic Analysis which altered the fourth quarter comparisons required by the measure.

More recently, however, the price factor has been set by the consumer price index comparison which has been lower than the per capita income change. This was especially true in 1986, when price indices were held down by plummeting oil prices.

Over the past eight years growth in the state's limit has barely kept pace with inflation, given the "whichever is lower" proviso in the Constitution. Of equal concern is the fact that no "real" increases are permitted in expenditures. This situation is requiring the prioritizing of spending programs to insure that ongoing needs can be met.

A comparison of the price factors since Proposition 4 was enacted along with overall cost indices illustrates the dilemma currently facing state government.

The State of California will exceed the limit for the first time in 1986–87. The California Constitution requires that revenues in excess of the limit be returned to taxpayers. As a result, the Administration expects to

TABLE VI-1
DETERMINATION OF PRICE FACTORS UNDER PROPOSITION 4

	Percent Change			
Fiscal year	*Consumer price index*	*Per capita income*	*Effective price factor*	*State and local deflator*
1979–80	10.2	12.5	10.2	10.6
1980–81	14.7	12.1	12.1	9.6
1981–82	10.6	9.1	9.1	7.6
1982–83	6.8	12.0	6.8	6.0
1983–84	3.6	2.4	2.4	4.6
1984–85	4.7	6.5	4.7	5.3
1985–86	3.7	7.9	3.7	4.6
1986–87	3.0	3.5	3.0	3.7
Cumulative growth, 1979–80 to 1986–87			64.8	65.2

return $700 million to taxpayers. The specific program to do this will be worked out through legislation required to implement the rebate provision of Proposition 4.

The surplus developed from a surge in revenues which started at the end of last year. This appears to have been related in large part to the Federal Tax Reform Act of 1986. There was an advantage in taking capital gains in 1986, for instance, when they were subject to preferential tax rates.

Given the impact of federal tax reform, the gain in revenues is probably a one-time phenomenon, reflecting a transition to the new tax law. This is an important consideration in determining how to rebate the surplus. Any ongoing change in tax rates or brackets, for instance, would be inappropriate to rebate a one-time surplus.

Current estimates suggest that revenues will again exceed the limit in the 1987–88 fiscal year. The amount is expected to be far smaller, however — approximately $170 million. The exact amount could be substantially different. If the pace of economic activity accelerates in coming months, the surplus could be greater. It could also disappear entirely if a weaker situation develops, or if tax refunds next April and May are larger than usual.

Recent trends. At the time the limit was enacted, tax receipts were rising rapidly, reflecting both rampant inflation and a progressive tax structure. Since that time, in contrast, revenue growth has been sharply curtailed:

- inflation has fallen dramatically;
- personal income tax brackets have been indexed to the rate of inflation so that individuals do not pay higher taxes on income gains reflecting inflation rather than real increases; and
- the inheritance and gift taxes have been eliminated;

These have brought taxes under control, and insured that any increases would be in proportion to the ability of people to pay.

Tax collections have been falling sharply in relation to income. A comparison of tax collections for the states, for instance, shows California 20th in the 1984–85 fiscal year as opposed to 8th as recently as 1979–80. When local taxes are included—largely property taxes—California's standing drops to 18th from 3rd in 1976–77.

Concerns expressed about California falling behind other states in program spending ignores the fact that taxes in relation to income have been on a downtrend relative to other states. More important for the near term, Article XIII-B effectively places a cap on total spending.

The impact of all these changes—Propositions 13 and 4, reduced inflation, even restrained federal spending—can be seen in employment data. Government has become a declining industry, in effect.

Between 1977 and 1986, the state and local sector fell from 16.6 percent of all nonagricultural wage and salary jobs in California to 13.2 percent.

Implications for the future. Trends shown in tables VI-2 and VI-3 are only the precursor of more pronounced developments likely in the future.

Gramm – Rudman – Hollings, even though not expected to be a major factor, will still exert restraint on federal spending. This should not be reflected to any significant extent in employment data, but in various grant and aid programs which are candidates for reduction.

The more serious issue, at least for the state, revolves around Article XIII-B which lays a constraint on government at all levels.

Of particular interest is the fact that even the process of determining spending for individual programs will change markedly. Decisions on priorities will be more difficult to make given the need to stay within a set increase. This is almost

TABLE VI-2
COMPARATIVE TAX DATA

	1977–78	*1984–85*
Budget data: General fund taxes per $1000 of income	$69.40	$65.30
State tax collections per capita	$673.62	$1,098.14
California ranking	6	10
State tax collections per $1000 of income	$86.70	$78.00
California ranking	13	20
State and local taxes per capita	$1,227.47	$1,644.80
California ranking	4	10
State and local taxes per $1000 of income	$157.99	$116.82
California ranking	4	18

Source: U.S. Bureau of the Census
California Department of Finance

certain to increase the rhetoric and pressures which traditionally accompany the introduction of a spending plan.

There will also be significant changes in the way the Budget is developed, and an altered emphasis on critical assumptions.

At the state level, for instance, revenue estimates have, until now, been a vital factor in the overall planning cycle. If revenue growth was high, additional programs could be implemented and funding increased for existing projects. If revenue growth fell off, sometimes painful decisions had to be made as to which program areas could be cut.

In the future, in contrast, the primary question about revenues could be simply: will revenues come in above the limit? The limit, in effect, will determine the amount by which expenditures can grow.

This is sure to create problems. Every program has its supporters. Every program can be justified on a variety of bases. Yet program growth must be constrained to stay within the Limit.

California has demonstrated that meeting the wide range of services demanded of government does not have to entail a blank check drawn on the taxpayer.

In essence, Proposition 4 provides a challenge to policy makers who must balance funding limits with program demands. Over the longer term there undoubtedly will be a number of efforts to modify existing legislation implementing the measure to permit spending of surplus tax collections. Some local jurisdictions have already approved ballot measures to exceed limits. All such proposals will be placed before the voters, giving Californians the opportunity to decide for themselves how much government they want.

TABLE VI-3
GOVERNMENT EMPLOYMENT
(in thousands)

				Percent change	
	1973	*1985*	*1986*	*1978–86*	*1985–86*
Total	1,753.1	1,792.8	1,832.9	4.6	2.2
Federal civilian	318.6	343.1	343.6	7.8	0.1
Defense	na	140.1	140.6	—	0.4
Nondefense	na	203.0	203.0	—	nc
State and local	1,434.5	1,449.7	1,489.3	3.8	2.7
State	296.1	325.5	334.2	12.9	2.7
Education	128.1	147.6	152.3	18.9	3.2
Other	168.0	177.9	181.9	8.3	2.2
Local	1,138.4	1,124.3	1,155.2	1.5	2.7
Education	636.9	603.8	622.5	−2.3	3.1
City	200.2	197.8	202.0	0.9	2.1
County	232.5	229.8	237.2	2.0	3.2
Special districts	68.8	92.9	93.5	35.9	0.6

Source: California Employment Development Department.

VII. Foreign Trade

It has been noted that the economic outlook for 1987 hinges to a large degree on the outlook for net exports. A significant improvement in the nation's trade balance will lend support to activity overall. Further deterioration, in contrast, will heighten concerns that the nation is in for an extended period of unusually slow growth.

Such concerns are national in scope and have far reaching implications. On a regional basis, however, there are additional considerations which tend to offset the well-publicized negative implications. The state benefits from both exports and imports in terms of job creation, income, business opportunities, and the variety of goods available to the consumer.

California's location on the Pacific Rim is certainly a strong asset: the state's ports are a logical gateway to much of the West and even to Midwest markets. The fact that California has two major financial centers in the Los Angeles and San Francisco Bay areas facilitates trade. Many industries in the State, including the high technology sector, are closely tied to foreign customers and suppliers and the sheer size, wealth and diversity of the California market gives it a broad appeal overseas.

This Chapter will highlight foreign trade activity in the State, with reference to historical trends, commodities traded, major trading partners, factors of production, job impacts and foreign investment. It will also review briefly two of the issues which are critical for the next few years: the significant devaluation of the U.S. dollar and long-standing trade barriers, and the state's trade policy designed to overcome some of the long-standing situations which have hindered trade relations.

An Overview on Foreign Trade

Foreign trade in California amounted to approximately $103 billion in 1986, a 9.2 percent gain from the 1985 level. The increase was held in check by falling prices for crude oil during the year.

This total excludes the value of related services which are essential in the conduct of foreign trade. Terminal personnel, construction and maintenance workers at port facilities, transportation services, brokerage firms and financing institutions are inextricably linked to trade activities. Furthermore, the fact that trade is so important has led to the establishment of numerous foreign representatives in the State.

As might be expected, California is a primary factor in the trade picture for the entire nation. The state has approximately 11 percent of the nation's population, and almost 13 percent of all personal income. Given its geographic location, California ports account for approximately 15 percent of all exports and nearly 19 percent of all imports. The larger share for imports can be attributed to the developing importance of trade with Southeast Asian nations, and the fact that California is the logical entry for trade with this area.

California's share has been increasing over time. One indication of this is the value of shipments through California ports in comparison with total U.S. activity. As recently as 1982, the State accounted for only 13.1 percent of all imports, and 13.6 percent of exports. The value of imports rose approximately 51 percent between 1982 and 1986 for the nation, but by 114 percent through California. Exports nationally were up only marginally—2 percent—but rose 13 percent for the State.

The data available for analysis do not cover the entire range of activity involved in foreign trade. Basically,

information is limited to merchandise trade. Military goods, however, are excluded. Considering the role of the state's aerospace manufacturers in the overall defense and space business, this exclusion leads to an understatement of the importance of trade in the economy.

Furthermore, there are no data by state on services. The net export situation nationally has been actually helped until recently by the export of financial services, which have offset part of the merchandise deficit. Services represent primarily earnings from U.S. investments abroad and earnings from activities of U.S. banks, insurance companies and construction firms, among others, doing business in foreign countries.

There are no good data to determine what proportion of California business is related to foreign trade. The indicators which are available, however, do illustrate the global orientation of activity in much of California, and the importance of the state among the Pacific Rim nations.

Fortunately, information from the U.S. Bureau of the Census provides extensive detail on trade flows by commodity between California and individual countries. The one deficiency in this information is the state of origin of exports and the destination of imports. Over the past several years, for instance, there has apparently been greater use of California as the entry point for shipments going to the Midwest and even, on occasion, to the East Coast. Containerized shipments have greatly facilitated this process.

The Census Bureau is collecting information on origin and destination to the extent that this can be determined by those who complete shipping documents. There are still some concerns about the validity of the data which is being reported, however. Furthermore, the compilation process does not yet provide for the inclusion of this information in the publicly released material. There are estimates available for agriculture, based on totals for the entire customs district and information on production by state. For some crops the breakout was simple since California accounts for the entire national production.

There are other gaps in the data. The customs districts are, in some cases, far reaching. For instance, the San Francisco district includes Salt Lake City and Las Vegas is part of the Los Angeles district. There is no way to limit the data to just California. Trade through these non-California ports is undoubtedly quite small and its inclusion should not distort an overall appraisal of trade through California.

Another shortfall in the data relates to trade with Canada. West Coast exports to and imports from Canada go primarily through customs districts located in the northwest. California remains a primary source of these exports and destination for imports, however. Some other reports on foreign trade attempt to adjust for this factor and show, therefore, higher totals for trade through California and for trade with Canada, in particular.

The data in this chapter, therefore, represent trade passing through the three customs districts in California with no analysis possible of the volume of goods which originate in, or stay in (for imports), the State.

Changing Trading Patterns

Growth in trade activity has been phenomenal over the past few years. In 1970, imports and exports each amounted to somewhat more than $4 billion. Since then, however, exports have grown 8-fold, with a 16-fold rise in imports. In effect, the California data, shown in

TABLE VII-1
FOREIGN TRADE THROUGH CALIFORNIA, 1970–1986
(in millions)

	Exports	*Imports*	*Total*	*Trade balance*
1970	$4,245	$4,408	$8,653	−$163
1971	3,690	4,896	8,586	−1,206
1972	4,153	6,509	10,661	−2,356
1973	6,647	8,607	15,254	−1,960
1974	9,793	13,140	22,934	−3,347
1975	10,340	11,715	22,055	−1,375
1976	11,525	15,300	26,825	−3,775
1977	12,186	19,113	31,298	−6,927
1978	14,934	21,496	36,430	−6,651
1979	20,303	24,929	45,232	−4,626
1980	26,974	29,414	56,208	−2,619
1981	29,990	31,690	61,680	−1,700
1982	29,120	32,583	61,703	−3,463
1983	29,380	37,944	67,323	−8,564
1984	32,204	49,270	81,474	−17,067
1985	32,396	61,606	94,002	−29,210
1986	32,838	69,804	102,643	−36,966

Source: Security Pacific National Bank, California Database (1970–83)
California Department of Finance (1984–86)

Table VII-1, illustrate the problem which has developed for the entire nation: a steadily worsening trade imbalance.

Data for 1986 indicate continuation of these trends. Exports were up a modest 1.4 percent. Imports, in contrast, rose by 13.3 percent. In effect, the hoped-for improvement in exports had yet to materialize, while import volume remained robust.

The development of trade over the past decade has not been evenly distributed among regions or countries. Between 1976 and 1986, exports from California customs districts increased by 185 percent. Gains for Canada, Western Europe, and Oceania were greater than this. Lesser inceases were registered for the Latin American group of nations, Eastern Europe, the Middle East, Africa, Southeast Asia, and East Asia.

A number of factors have been involved in shifts which have occurred. Changes in the petroleum supply situation, for instance, have had a dramatic impact on California's trade with the Middle East. Shipments from Saudi Arabia, the United Arab Emirates, Qatar, Oman, Iran, Nigeria and Gabon fell more than 90 percent over the 10 years. In the mid-1970s, imported oil was used to a large extent for electricity generation in the Los Angeles Basin. Since then Alaskan oil came on the market and essentially replaced imports used for this purpose.

Political factors are also involved. As would be expected, imports from Iran, Libya, Ethiopia and Algeria were sharply curtailed, although a small volume of trade continues. The opening of the Peoples' Republic of China, in contrast, has led to significant gains in both exports from and imports into California ports.

There is a high degree of stability for some trading partners, however. The United Kingdom and many western European nations remain major countries for California trade. Canada and Australia are two of the more rapidly expanding areas.

Overall, however, there has been a definite shift to East Asia, which continues to expand its influence in California trade. Japan, Taiwan, Korea and Hong Kong together took 43 percent of California's exports in 1976, and 40 percent in 1986. Their shipments rose from 48 percent of all imports into the State 10 years ago to 68 percent in 1986.

The concentration of trade is illustrated by the fact that California's top 11 trading partners account for 75 percent of the exports leaving the state and 84 percent of all imports.

Tables VII-4 and VII-5, which show major commodity groups imported from and exported to major trading partners, provide a guide to the importance of particular countries. Japan, of course, is widely represented in most areas. Several other countries, in contrast, have trade limited to only a handful of major commodities. Indonesia, for instance, ranks 16th on the list of countries by size of imports into California ports. Its trade is limited largely to petroleum, however, with approximately 70 percent of the total represented by crude petroleum and petroleum products.

Data on commodity flows are particularly interesting since they point up the somewhat unexpected fact that exports from California are related to the same product groups as imports. The information in this Chapter is based on detailed trade data received from the Bureau of the Census for 1984, 1985 and 1986. It was necessary to establish fairly broad commodity groups to permit analysis of product flows. It should be noted that these groupings differ from those available from other sources due to a more precise allocation of individual commodities to category groups.

Exports from California ports are concentrated in five general categories: electronic equipment (primarily electronic chips), computers, office machine parts, aircraft, fruits and nuts and instruments. Each of these accounts for more than $1 billion in exports. A second tier of commodity groups with value ranging from $500 million to $1 billion includes hides and skins, meat products, various types of machinery, inorganic chemicals, engines, cotton, petroleum products and rubber and plastic products.

Raw materials still play an important role in exports. Resource-poor countries such as Japan, Hong Kong, Korea and Taiwan rely on basic materials from California for much of their manufacturing activity. Cotton, metal ores and scrap, undressed hides and furs, pulpwood and waste paper, lumber and wood, fertilizer and mineral shipments amounted to $1.9 billion in 1986, or about 6 percent of all exports.

There are no surprises in the import data. Passenger cars and other transportation equipment, electronic chips, VCRs and phonographs, other audio equipment, computers and office machines and apparel dominate the import data. Other products are important, but their relative importance is small in comparison.

TABLE VII-2
EXPORT TRENDS IN CALIFORNIA CUSTOMS DISTRICTS, 1976 TO 1986
(in thousands)

	1976	*1986*	*Percent change*
Total exports	$11,524,856	$32,838,308	185
North American Region			
Canada	$91,611	$692,026	655
Other	271	126	−54
Total	$91,882	$692,152	653
Latin American Region			
Mexico	$649,966	$1,774,628	173
Brazil	69,617	186,285	168
Argentina	21,803	63,776	193
Chile	33,526	44,310	32
Peru	30,938	40,837	32
Venezuela	70,472	23,115	−67
Colombia	23,866	10,127	−58
Ecuador	22,618	9,127	−60
Other	82,455	165,368	101
Total	$1,005,261	$2,317,573	131
Western Europe Area			
United Kingdom	$330,752	$1,640,011	396
West Germany	288,523	1,667,017	478
France	225,855	1,122,332	397
Netherlands	252,182	802,538	218
Italy	97,553	528,151	441
Sweden	148,927	392,593	164
Switzerland	51,801	355,423	586
Belgium and Luxembourg	57,954	347,438	500
Spain	136,531	179,655	32
Norway	34,520	132,072	283
Ireland	7,598	109,371	1,339
Other	148,295	305,298	106
Total	$1,780,491	$7,581,899	326
Eastern Europe Area			
U.S.S.R.	$112,049	$41,507	−63
Yugoslavia	16,587	12,861	−22
Other	19,745	22,030	12
Total	$148,381	$76,398	−49
Middle East Area			
Saudi Arabia	$140,182	$248,923	78
Israel	21,387	109,727	413
Jordan	8,503	67,336	892
United Arab Emirates	12,520	35,709	185
Kuwait	25,564	32,893	29
Bahrain	139,145	4,018	−97
Iran	172,624	1,788	−99
Other	35,327	22,559	−36
Total	$555,252	$502,953	−6
Southeast Asia Area			
Singapore	$525,603	$1,571,970	199
Malaysia	334,392	1,145,659	243
Philippines	342,845	696,811	103
Thailand	120,597	408,591	239
Indonesia	258,697	331,268	28
India	112,488	153,363	36
Other	78,481	115,331	47
Total	$1,773,103	$4,422,993	149

TABLE VII-2—continued
EXPORT TRENDS IN CALIFORNIA CUSTOMS DISTRICTS, 1976 TO 1986
(in thousands)

	1976	1986	Percent change
East Asia Area			
Japan	$3,107,355	$7,692,445	148
Republic of Korea	784,620	2,433,555	210
Taiwan	541,218	1,720,963	218
Hong Kong	537,267	1,316,357	145
People's Republic of China	8,224	685,303	8,233
Other	17	36	112
Total	$4,978,701	$13,848,659	178
Australia-Oceania Region			
Australia	$797,793	$2,605,902	227
New Zealand	195,397	399,409	104
Other	68,956	157,389	128
Total	$1,062,146	$3,162,700	198
African Region			
Egypt	$19,446	$51,568	165
Republic of South Africa	43,781	77,539	77
Tunisia	1,535	18,932	1,133
Algeria	40,833	12,779	−69
Senegal	100	6,593	6,493
Kenya	3,900	5,667	45
Morocco	1,041	4,752	356
Ethiopia	2,087	2,501	20
Other	16,916	32,653	93
Total	$129,639	$212,984	64

Note: Detail may not add to total due to rounding.

Source: U.S. Department of Commerce and Security Pacific Databank (1976)
California Department of Finance (1986)

TABLE VII-3
IMPORT TRENDS IN CALIFORNIA CUSTOMS DISTRICTS, 1976 TO 1986
(in thousands)

	1976	*1986*	*Percent change*
Total imports	$15,299,863	$69,804,389	356
North American Region			
Canada	$307,332	$1,104,521	259
Other	549	71	–87
Total	$307,881	$1,104,591	259
Latin American Region			
Mexico	$559,765	$1,976,521	253
Brazil	116,390	330,055	184
Colombia	84,505	187,851	122
Ecuador	206,088	176,730	–14
Peru	13,050	91,939	605
Chile	5,295	87,439	1,551
Panama	3,383	83,296	2,362
Argentina	11,524	60,651	426
Venezuela	35,924	21,919	–39
Other	195,916	261,049	33
Total	$1,231,840	$3,277,450	166
Western Europe Area			
West Germany	$693,924	$3,300,447	376
United Kingdom	371,200	1,204,924	225
Italy	226,331	1,145,808	406
France	204,478	839,538	311
Sweden	118,245	616,631	421
Netherlands	63,123	312,417	395
Switzerland	64,647	285,601	342
Belgium and Luxembourg	49,944	275,054	451
Denmark	70,801	260,747	268
Spain	42,993	165,958	286
Norway	23,509	97,677	315
Ireland	8,817	69,145	684
Finland	8,388	52,804	530
Other	36,054	152,319	322
Total	$1,982,454	$8,779,070	343
Eastern Europe Area			
Yugoslavia	$13,155	$33,512	155
Romania	8,170	16,527	102
Hungary	3,444	16,054	366
Poland	13,394	13,908	4
U.S.S.R.	2,087	12,747	511
Czechoslovakia	1,279	6,438	403
East Germany	265	5,509	1,979
Other	110	434	295
Total	$41,904	$105,129	151
Middle East Area			
Israel	$41,229	$185,939	351
Saudi Arabia	660,318	86,094	–87
United Arab Emirates	234,583	16,278	–93
Iran	196,654	13,676	–93
Bahrain	20,097	8,028	–60
Other	95,826	16,849	–82
Total	$1,248,707	$326,864	–74

TABLE VII-3—continued
IMPORT TRENDS IN CALIFORNIA CUSTOMS DISTRICTS, 1976 TO 1986
(in thousands)

	1976	*1986*	*Percent change*
Southeast Asia Area			
Singapore	$279,046	$2,090,617	649
Malaysia	292,110	1,400,381	379
Philippines	220,128	799,123	263
Thailand	67,705	730,494	979
Indonesia	1,579,487	635,133	−60
India	93,329	228,264	145
Macao	3,319	140,359	4,129
Sri Lanka	3,740	87,888	2,250
Other	22,632	124,939	452
Total	$2,561,496	$6,237,198	143
East Asia Area			
Japan	$4,910,126	$31,552,582	543
Taiwan	962,377	7,850,562	716
Republic of Korea	748,655	5,128,562	585
Hong Kong	720,791	3,042,321	322
People's Republic of China	31,847	1,218,522	3,726
Total	$7,373,797	$48,792,559	562
Australia-Oceania Region			
Australia	$146,037	$592,070	305
New Zealand	60,693	310,187	411
Other	57,616	46,461	−19
Total	$264,346	$948,718	259
African Region			
Republic of South Africa	$34,505	$101,773	195
Kenya	5,733	41,237	619
Ivory Coast	12,856	11,712	−9
Algeria	11,738	10,859	−7
Uganda	20,634	6,089	−71
Ethiopia	11,428	1,950	−83
Tunisia	10,630	1,073	−90
Nigeria	89,446	617	−99
Gabon	35,605	167	−100
Libya	24,343	40	−100
Other	30,520	57,294	88
Total	$287,438	$232,811	−19

Note: Percent changes rounded to nearest whole number.

Source: U.S. Department of Commerce and Security Pacific Databank (1976)
California Department of Finance (1986)

TABLE VII-4
DISTRIBUTION OF EXPORTS BY MAJOR CATEGORIES AND TRADING PARTNER, 1986
(in millions of dollars)

	Total	Australia	Canada	People's Republic of China	France	West Germany	Hong Kong	Italy	Japan	Korea	Malaysia	Mexico	Netherlands	Philippines	Singapore	Sweden	Taiwan	United Kingdom
Meat, meat products	670.3	.1	–	.2	.4	.1	26.8	–	585.4	2.7	1.4	8.8	.2	.8	16.1	–	7.7	.1
Fruits, nuts	1,108.7	20.5	.5	.3	45.9	96.8	118.6	17.4	392.1	9.4	10.2	11.8	41.8	4.3	27.5	28.3	35.2	59.6
Tobacco products	275.9	8.6	–	–	–	–	148.5	–	80.0	3.2	3.1	–	–	1.9	25.9	–	2.5	–
Hides, skins	500.4	.3	1.6	7.0	1.2	.7	3.5	3.4	193.3	207.6	–	2.1	.1	–	–	.1	76.7	.9
Wood pulp, paper paperboard	300.5	.4	–	7.9	7.8	1.8	1.7	8.0	100.7	78.0	–	7.7	3.3	4.8	.1	–	50.3	1.1
Cotton	586.7	.1	–	.3	1.6	11.6	1.6	25.4	234.2	142.8	3.6	.3	.2	8.2	.8	.2	32.4	3.6
Iron, steel scrap	201.8	–	–	.2	–	.4	.4	–	75.4	69.0	–	2.4	.2	.1	.4	–	24.3	.1
Metal ores, waste, scrap material	196.0	–	–	–	–	8.4	.8	.2	71.0	32.6	–	4.5	.3	–	.6	.1	34.5	6.4
Petroleum products	727.9	22.6	13.2	7.5	1.8	.5	18.5	4.0	168.3	41.9	6.6	126.3	25.8	3.4	75.1	.1	99.9	5.3
Organic chemicals	471.1	30.7	1.3	7.4	2.0	2.4	7.5	1.1	155.8	60.1	21.8	9.9	36.8	9.6	11.4	.1	58.0	8.3
Inorganic chemicals	605.9	19.7	2.2	10.8	15.7	7.7	16.3	4.6	203.8	42.6	4.5	7.0	101.2	2.2	3.4	.5	80.7	3.1
Medical preparations	398.3	43.3	5.8	.3	2.6	17.4	10.2	4.5	200.3	6.4	2.9	4.2	1.2	3.2	3.9	1.6	10.6	12.2
Resins, rubber, plastic products	603.0	48.1	4.2	38.2	6.3	7.0	76.1	1.0	132.5	41.2	13.8	43.9	.9	17.0	20.8	1.3	65.2	10.4
Fabricated metal products	422.4	41.5	10.3	5.3	11.4	19.3	11.3	5.9	82.0	37.4	3.5	76.1	5.5	5.2	17.9	3.3	13.3	23.9
Engines, parts	908.2	149.6	16.6	9.5	94.1	34.0	19.8	2.6	157.3	56.8	13.6	65.1	9.9	9.4	64.2	5.2	33.9	60.1
Excavating, drilling, road working machinery	431.2	74.5	1.0	13.3	.8	1.9	3.2	2.7	54.5	54.1	8.9	2.9	1.2	5.4	84.3	.3	10.0	11.7

TABLE VII-4—continued
DISTRIBUTION OF EXPORTS BY MAJOR CATEGORIES AND TRADING PARTNER, 1986
(in millions of dollars)

	Total	Australia	Canada	People's Republic of China	France	West Germany	Hong Kong	Italy	Japan	Korea	Malaysia	Mexico	Netherlands	Philippines	Singapore	Sweden	Taiwan	United Kingdom
Wood, glass, plastic working machinery	727.0	28.1	5.6	58.6	35.2	58.4	17.4	13.3	156.2	90.4	32.6	32.3	7.2	15.2	33.9	3.0	35.1	29.5
Computers	2,204.2	219.6	78.0	69.7	132.8	296.7	48.6	39.1	333.6	61.0	11.1	21.4	133.8	9.1	49.6	32.7	71.1	265.7
Office machine parts	2,427.9	217.4	92.4	17.0	143.4	234.1	97.7	34.3	356.2	86.4	10.6	68.7	145.5	21.2	298.6	19.6	69.4	191.1
Audio, radio, telephone, navigational equipment	1,066.2	88.0	51.3	28.4	16.6	35.8	45.3	17.1	188.9	99.5	16.3	71.4	11.8	25.7	28.1	8.6	66.1	60.0
Power transformers, electrical switches	687.9	32.8	16.0	9.2	41.6	43.7	34.9	3.8	78.5	54.1	4.2	136.4	7.2	7.8	30.0	4.0	51.5	60.6
Medical equipment	333.6	32.9	16.0	17.4	11.0	31.6	8.0	8.7	84.9	8.5	1.0	12.2	15.0	.8	5.2	9.8	7.1	16.4
TV picture tubes, electronic chips	3,412.1	19.1	31.1	7.4	50.4	109.2	139.4	21.6	292.6	423.5	869.5	135.8	10.9	373.1	275.9	18.0	186.9	175.2
Batteries, lamps	553.9	30.2	16.9	25.0	25.0	56.7	19.0	9.5	122.8	27.4	2.2	34.3	9.7	3.5	25.0	8.1	32.0	54.7
Vehicle chassis, bodies, parts	369.4	97.2	1.0	4.6	1.1	6.3	1.5	.5	140.8	13.6	1.2	41.3	.8	3.7	26.2	.8	7.7	3.3
Aircraft	2,686.1	447.9	88.4	57.4	61.5	156.2	58.1	175.4	429.8	149.3	14.2	28.3	40.8	10.2	132.1	178.4	84.1	105.4
Instruments (total)	1,774.8	143.3	94.5	122.9	97.0	134.1	26.0	33.1	355.6	104.8	28.1	69.1	41.1	10.6	53.0	20.0	65.1	155.3
Musical equipment	351.9	35.1	12.4	4.6	15.8	35.1	13.8	7.0	84.3	9.9	1.3	9.6	8.7	.8	16.6	3.0	10.1	41.0

TABLE VII-5
DISTRIBUTION OF IMPORTS BY MAJOR CATEGORIES AND TRADING PARTNER, 1986, (in millions of dollars)

	Total	Australia	Canada	People's Republic of China	Denmark	France	West Germany	Hong Kong	Italy	Japan	Korea	Malaysia	Mexico	Netherlands	Philippines	Singapore	Sweden	Taiwan	United Kingdom
Meat, products	338.7	116.5	1.4	–	67.1	1.0	.8	–	.1	.4	–	–	–	–	–	6.6	.9	–	.1
Fish, seafood	884.8	82.6	8.2	58.1	.3	.9	.3	15.4	.5	123.7	51.1	13.5	38.9	30.0	25.4	.2	120.4	116.1	4.8
Vegetables	250.5	.6	.2	19.9	–	1.9	.3	6.4	1.6	10.6	5.7	–	111.3	.2	.1	–	48.5	4.7	.2
Fruits, nuts	401.0	6.6	.1	4.3	.5	1.7	11.3	1.9	2.2	5.9	3.9	–	9.9	61.8	.9	.1	6.4	32.7	.8
Coffee	648.0	.5	–	.4	–	.3	7.4	–	.6	.2	–	.3	21.5	45.5	1.9	–	.1	21.2	.1
Beverages	467.8	9.8	16.2	2.8	.4	136.3	29.9	1.2	25.2	18.6	.9	.2	87.0	3.1	1.4	2.2	1.3	1.0	59.2
Crude petroleum	462.1	31.4	–	3.5	–	–	–	–	–	–	–	–	–	–	–	–	–	11.5	–
Petroleum products	559.2	–	16.8	145.9	1.0	–	.4	–	17.5	3.2	34.8	14.0	2.3	–	15.6	–	11.4	65.8	9.2
Organic chemicals	211.5	1.2	.8	3.5	1.5	6.2	8.8	.2	6.9	100.9	16.5	1.6	1.4	.6	.6	.2	9.5	.1	10.9
Tires	455.0	.2	8.2	.1	–	16.3	17.9	–	8.5	243.0	75.2	–	.3	–	–	1.0	42.1	–	4.8
Newsprint	465.1	.1	224.3	–	.1	2.2	19.4	.3	4.8	55.1	9.7	–	10.1	.3	–	51.5	.7	.4	3.0
Yarns, fabrics	715.5	1.2	.5	28.0	.6	7.1	14.4	43.6	24.9	269.0	151.8	7.5	2.5	1.3	.7	.6	66.5	24.5	9.4
Ceramics	231.7	.1	–	13.7	–	1.2	1.2	6.1	9.9	123.3	16.2	.1	2.2	.7	.1	.7	49.1	1.0	1.9
Iron, steel products	1,219.4	42.6	.5	1.4	–	33.9	35.8	.1	3.6	532.3	218.3	3.8	12.0	–	10.9	17.2	74.9	9.7	21.6
Fabricated metal products	1,235.6	4.8	1.8	24.1	3.7	15.1	43.6	33.9	15.8	343.6	133.0	.5	80.0	1.5	8.1	5.6	417.8	4.2	19.0
Engines, parts	646.4	1.5	6.7	.5	.6	113.3	44.2	6.5	5.7	311.1	2.7	–	33.2	–	7.8	2.2	11.1	.9	59.5
Electric motors	341.9	.1	1.3	.1	96.8	1.5	8.6	5.7	4.3	146.2	2.7	1.7	20.1	–	5.2	1.3	13.3	1.1	19.3
Wood, glass, plastic working machinery	394.0	4.4	1.7	.8	1.5	5.0	47.2	12.9	11.2	204.2	5.9	.3	1.3	.2	1.0	3.3	50.6	.3	17.2
Lathes, metal working, drilling equipment	479.0	.6	.3	1.7	.8	2.5	17.5	.2	4.4	331.5	3.6	.1	.1	–	1.4	1.0	87.0	–	4.3

TABLE VII-5–continued
DISTRIBUTION OF IMPORTS BY MAJOR CATEGORIES AND TRADING PARTNER, 1986,
(In millions of dollars)

	Total	Australia	Canada	People's Republic of China	Denmark	France	West Germany	Hong Kong	Italy	Japan	Korea	Malaysia	Mexico	Netherlands	Philippines	Singapore	Sweden	Taiwan	United Kingdom
Industrial furnaces, heating, refrigeration equipment	261.5	.7	.3	–	.1	2.0	8.8	.7	1.0	212.1	2.4	1.4	14.5	–	.2	3.8	3.7	–	2.3
Air compressors	445.1	.2	2.6	1.0	.4	5.8	11.8	51.4	2.7	222.6	5.7	–	20.0	–	.1	1.3	107.5	1.4	5.0
Industrial trucks, cranes, tractors, loaders	221.3	2.0	.1	1.3	.6	5.0	8.7	.1	1.9	148.3	2.7	.1	3.2	–	.3	1.9	25.6	.1	9.2
Packaging machinery, saws, drills, spraying equipment	224.8	.9	.2	.1	.7	2.1	13.9	2.6	9.2	142.8	.3	–	4.8	.3	3.1	3.4	31.9	.1	3.1
Valves, bearings, molds	287.2	2.5	2.1	.5	.8	4.2	15.4	1.8	7.4	154.2	7.4	–	9.8	–	18.5	.9	29.4	12.5	6.8
Office machines	1,050.1	.8	.9	.5	.3	.3	4.2	13.6	.5	892.2	38.0	.1	1.9	–	15.0	.5	61.7	–	2.4
Computers	3,120.7	3.2	4.5	–	.1	5.6	24.0	52.9	2.0	1,934.4	307.5	.1	11.4	1.2	175.1	11.9	534.3	6.2	20.9
Office machine parts	3,412.7	5.1	24.5	1.2	.5	19.2	37.0	201.2	6.2	1,676.4	83.2	.7	81.4	6.5	898.6	7.2	268.2	10.71	29.1
Television	1,246.1	–	.2	.2	–	–	.1	35.3	–	403.0	198.9	33.8	195.7	–	97.5	–	280.7	.1	.2
Radios, radio-phonographs	1,424.9	.1	.8	12.8	–	–	.3	80.1	–	945.7	127.4	45.3	.4	5.1	53.8	.8	149.4	.2	.2
VCRs, phonographs	3,521.7	–	.2	1.5	–	1.0	.6	50.6	.2	3,040.2	211.9	5.7	4.9	–	42.8	–	156.2	–	4.7
Audio, radio, telephone, navigational equipment	2,789.4	2.3	36.4	13.5	1.8	14.0	11.8	181.9	8.8	1,560.3	265.1	19.7	60.2	4.1	75.5	16.6	465.0	.5	31.7
Power transformers, electrical switches	1,204.7	2.9	10.9	.9	5.7	30.4	41.6	105.4	1.8	411.0	42.9	17.2	188.2	.9	30.9	6.1	222.7	5.3	23.9
Major household appliances	758.7	1.0	.5	12.9	1.3	1.8	4.1	85.9	7.9	278.3	179.7	14.2	9.1	.3	68.3	.2	89.5	.3	.9
TV picture tubes, electronic chips	4,023.2	.7	3.5	.1	.6	5.5	13.0	74.4	4.2	1,276.7	491.4	1,031.2	120.2	362.8	188.7	.6	170.1	207.9	38.3
Batteries, lamps	1,260.7	1.6	5.2	4.5	1.2	11.0	31.3	98.2	6.7	628.0	73.3	30.9	52.9	20.3	58.3	3.4	131.8	5.4	37.5

TABLE VII-5–continued
DISTRIBUTION OF IMPORTS BY MAJOR CATEGORIES AND TRADING PARTNER, 1986, (in millions of dollars)

	Total	Australia	Canada	People's Republic of China	France	West Germany	Hong Kong	Italy	Japan	Korea	Malaysia	Mexico	Netherlands	Philippines	Singapore	Sweden	Taiwan	United Kingdom
Passenger cars	10,078.6	.1	1.1	–	–	22.0	2,070.1	–	66.3	7,069.3	210.6	–	–	–	370.9	2.0	–	232.4
Trucks	1,819.2	–	.3	–	–	–	1.6	–	.1	1,816.0	–	–	–	–	.1	.1	.2	–	.1
Vehicle chassis, bodies, parts	1,128.2	11.9	.9	.3	1.6	5.9	95.4	.5	20.0	793.6	25.1	1.4	54.0	.1	2.3	7.0	71.0	.9	13.7
Motorcycles, bicycles	671.7	–	–	.1	–	4.2	7.2	.1	9.0	558.3	6.1	–	.2	–	.2	.6	81.4	–	1.4
Aircraft	811.4	29.6	462.7	1.8	1.0	12.4	23.3	15.9	92.8	47.0	10.1	.8	3.9	.2	.6	20.4	1.4	.2	32.8
Household furniture	875.0	1.0	.4	11.0	26.7	9.8	30.1	9.1	78.4	59.5	18.9	.1	55.7	19.2	28.6	8.9	445.4	5.4	13.6
Luggage, leather products	352.8	.1	1.0	33.4	.3	1.8	3.0	22.8	26.7	16.2	99.5	–	9.4	3.0	.2	–	125.4	.8	1.8
Apparel	4,204.1	4.8	1.8	385.2	.6	35.8	9.0	940.3	125.3	178.1	731.0	73.2	61.3	81.2	129.3	.6	896.2	58.5	20.8
Footwear	1,474.1	1.1	.1	26.1	–	26.9	11.0	35.7	63.0	7.6	432.8	.2	7.9	2.3	.1	–	808.7	4.5	2.5
Instruments (total)	927.1	10.5	100.5	2.9	1.0	12.2	64.9	20.6	3.5	445.1	22.6	1.4	85.8	.1	14.8	4.5	39.9	1.3	52.3
Photographic equipment	420.3	.3	.9	.7	.6	.4	5.4	4.1	.3	358.9	15.6	3.5	–	–	.1	.1	25.2	–	1.9
Photographic film	257.1	.5	.1	–	–	.5	.9	.1	–	244.9	.6	–	1.4	–	.6	1.7	.4	–	1.4
Optical equipment: lenses	321.5	2.5	2.3	.2	–	47.3	12.4	14.5	7.2	150.1	11.6	–	6.9	–	1.1	.1	44.8	.2	8.5
Clocks, watches	352.2	–	.5	3.4	.1	1.0	7.3	75.2	1.6	197.9	9.0	.1	2.0	.5	.2	–	26.4	–	.3
Hoses, misc. rubber, plastic products	530.4	2.1	.8	5.1	1.6	3.7	20.7	47.2	9.0	133.6	33.7	1.2	17.8	.2	2.6	3.1	216.4	4.9	6.2
Toys, sporting goods	1,821.2	1.2	.3	166.1	1.2	14.2	12.2	300.0	8.4	245.2	306.3	17.5	70.5	14.5	15.6	1.0	572.1	9.1	5.4
Art works, antiques, fossils, stuffed animals	273.9	4.3	1.7	35.0	2.4	34.0	17.8	5.5	6.5	14.6	3.1	–	9.1	–	7.7	.4	.6	.7	64.2
Jewelry	513.9	.7	.6	1.7	–	2.2	4.9	82.5	220.3	30.0	20.8	.1	9.5	1.8	9.9	.1	26.5	17.4	3.2
Musical equipment	1,091.9	1.4	1.6	2.1	.2	3.6	11.9	84.2	5.1	710.5	179.3	–	7.2	1.1	6.4	.1	41.5	.2	16.1

LEADERS IN THE GROWTH OF IMPORTS

	Millions of dollars	
	1985	*1986*
Office machinery, parts	3,239.2	4,462.9
Computers	2,314.2	3,120.7
Radio, TV and communication equipment	8,425.4	8,982.1
Electrical equipment, incl. electronic chips	7,057.0	7,478.8
Automotive equipment	10,863.1	13,699.9
Apparel	3,558.8	4,204.1

Trade patterns are far from static. There can be significant shifts from one year to the next in the value of commodities exported and imported. Between 1984 and 1986, for instance, there was a strong increase in exports of aircraft, office machinery, communications equipment and scientific instruments. Electronic chips and cotton experienced a sharp falloff.

The import situation turns on a few major commodities. Heading the list is passenger cars, for which value in 1986 was over $10 billion. Growth over the past two years can be related in part to the easing of import quotas for Japanese cars in April 1985. The growth in VCR shipments was also strong. The most significant curb in imports was registered for crude petroleum, due largely to the sharp drop in the world price of oil.

The commodity data reflect only small changes resulting from the devaluation of the dollar. Figures for 1987 should start to show some rather dramatic shifts in trade with individual countries and in the value of specific commodities.

The importance of agriculture for California is reflected in the data on exports. One-quarter of the total agricultural output of the State is exported. Over half the fruits and nuts shipped from the United States, for instance, go out from this State. Two-thirds of all cotton and 46 percent of meat and meat products are shipped from California.

The situation is even more impressive when individual commodities are examined. California accounts for the entire national export of several specialty fruits, and more than 80 percent of many other products.

Other agricultural products are equally, or more, important in foreign trade, even though California is only one of several sources for the commodity. Exports of California-grown cotton amounted to $617.5 million in 1985. Rice shipments totaled $109.2 million—a figure which could increase significantly if proposals to relax curbs on imported rice in Japan are implemented. Wheat ($79.3 million), alfalfa and lemons (both at $53.8 million) are other major exports.

Exports of some products are highly dependent on subsidy programs. If the world price for a particular commodity is lower than that prevailing in the United States, growers are unable to compete in overseas markets. A subsidy can overcome this situation by making up the difference between the domestic and world prices.

Rice has been supported in this way for a number of years. Cotton exports have also been affected. Virtually no cotton was shipped from the United States through September of last year. As soon as the subsidy program came into play, however, exports to Asian countries soared, and the year ended up at 54 percent of the 1985 level. It is interesting to note that the world price for cotton rose to nearly the U.S. domestic price after the subsidy went into effect. This illustrates the difficulty in managing subsidy programs, or even interpreting the results after the fact.

Commodity	*1985 Value ($ million)*	*Percent of national exports*
Almonds	400.1	100.0
Apricots	5.0	100.0
Asparagus	6.8	83.5
Avocados	7.6	95.9
Broccoli	18.7	96.3
Cauliflower	13.3	91.8
Celery	20.8	88.3
Ladino clover seed	2.3	100.0
Dates	2.7	100.0
Figs	1.6	100.0
Grapes (fresh)	73.2	n.a.
Kiwifruit	18.0	100.0
Oranges	208.2	91.0
Olives	2.4	100.0
Pistachios	6.0	100.0
Prunes	64.4	100.0
Raisins	91.4	n.a.
Safflower	21.9	96.4
Strawberries	36.0	91.9
Walnuts	79.5	100.0
Wine	23.6	n.a.

TABLE VII-6
VALUE OF 1986 EXPORTS FROM CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Live animals (livestock)	658.6	2.01	11.80
Meat and meat products	670.3	2.04	46.94
Dairy products	44.8	.14	10.85
Fish and seafood products	79.6	.24	13.29
Cereal grains	116.0	.35	1.57
Wheat	21.2	.06	.70
Rice	54.4	.17	8.75
Barley	1.3	.00	.98
Corn	7.5	.02	.28
Other grains, flours and cereals	31.6	.10	3.52
Fruits, vegetables, grapes, nuts: Fresh and processed	1,238.2	3.77	44.66
Vegetables	129.5	.39	16.41
Fruits and nuts	1,108.7	3.38	55.89
Sugar, molasses, honey, gum	18.4	.06	9.67
Coffee, tea and spices	70.1	.21	13.64
Coffee	28.7	.09	8.09
Cocoa	.7	.00	1.74
Chocolate, candy	25.2	.08	33.60
Tea	10.2	.03	57.41
Spices	5.3	.02	20.66
Grain products not for human consumption	123.5	.38	4.71
Misc. food preparations: Soy sauce, yeast	142.3	.43	18.99
Beverages	42.7	.13	20.18
Nonalcoholic beverages	5.5	.02	24.11
Alcoholic beverages	37.2	.11	19.70
Tobacco products	275.9	.84	10.04
Hides and furs	500.4	1.52	32.46
Oil seeds: Peanuts, soybeans, copra, seeds	25.4	.08	.55
Rubber	76.6	.23	10.94
Rubber, natural	.9	.00	1.99
Synthetic rubber	75.7	.23	11.57
Lumber	99.7	.30	4.10
Cork and cork products	.1	.00	12.34
Wood chips, pulpwood	18.5	.06	10.74
Logs and timber	11.5	.04	.92
Lumber	67.9	.21	6.77
Wood waste, charcoal	1.6	.00	26.61
Wood pulp, paper, paperboard	300.5	.92	13.91
Animal and vegetable fibers	625.4	1.90	38.57
Vegetable fibers except cotton	.2	.00	14.89
Cotton	586.7	1.79	71.59

TABLE VII-6—continued
VALUE OF 1986 EXPORTS FROM CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Synthetic fibers	9.0	.03	1.53
Wool, hair, not processed	8.0	.02	11.49
Rags and scrap cordage	21.6	.07	15.09
Minerals	169.7	.52	16.04
Stone, sand and gravel	5.9	.02	8.33
Sulfur	56.4	.17	21.97
Abrasives, industrial diamonds	7.6	.02	5.60
Mineral substances, clays	99.7	.30	16.78
Metal Ores	598.4	1.82	23.39
Iron and steel scrap	201.8	.61	19.14
Ores	167.8	.51	34.19
Metal ores, waste and scrap materials	196.0	.60	32.61
Gold and silver ores	32.9	.10	15.86
Miscellaneous animal and vegetable products	151.0	.46	26.60
Animal products, nec	39.0	.12	22.49
Gums, resins, seeds, flowers, nursery stock	112.1	.34	28.40
Peat, coal and coke	49.3	.15	1.23
Petroleum products, except gas	994.8	3.03	29.19
Petroleum products	727.9	2.22	30.82
Heavy petroleum products: Asphalt, etc., concrete mixes	266.9	.81	28.72
Petroleum gases and natural gases	23.0	.07	4.86
Animal oils and fats: Not hydrogenated	30.2	.09	7.60
Vegetable oils and fats: Not hydrogenated	47.0	.14	7.91
Hydrogenated oils and fats	1.9	0.1	6.42
Organic chemicals	471.1	1.43	7.39
Inorganic chemicals	605.9	1.85	19.60
Dye and tanning materials	73.0	.22	14.13
Dyes	9.3	.03	5.31
Tanning materials	.4	.00	7.49
Inks, paints, varnishes, putty	63.4	.19	18.80
Medicinal and pharmaceutical products	398.3	1.21	12.70
Perfumes and flavors	114.5	.35	14.07
Flavorings, perfumes	17.4	.05	8.33
Toiletries, scented oils	45.1	.14	14.93
Cleaning agents, processed animals fats	52.1	.16	17.17
Fertilizers and fertilizer materials	26.9	.08	1.39
Explosives	8.8	.03	10.80
Resins, rubber and plastic materials	603.0	1.84	13.94
Chemical products	315.2	.96	11.58
Pesticides, insecticides	62.5	.19	9.37
Starches, synthetic resins	25.8	.08	16.34

TABLE VII-6—continued
VALUE OF 1986 EXPORTS FROM CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Rosins, carbon, other organic chemical mixtures	226.9	.69	11.97
Leather and fur	50.3	.15	9.65
Leather and products	49.2	.15	11.18
Furskins, dressed	1.1	.00	1.38
Tires	24.5	.07	7.57
Wood products	78.9	.24	14.11
Cork sheets and products	.6	.00	16.03
Plywood, wood veneers, moldings, laths	19.8	.06	6.20
Wood products	58.5	.18	24.75
Paper and products	179.5	.55	6.79
Newsprint, paper	100.6	.31	4.97
Paper products	78.8	.24	12.81
Natural and synthetic yarns and fabrics	127.7	.39	4.83
Yarns and textiles	92.7	.28	4.26
Textile products other than apparel	25.2	.08	10.64
Floor coverings	9.8	.03	4.24
Stone, clay, glass, pearls, diamonds	157.8	.48	7.08
Building materials, stone, asphalt	4.4	.01	8.57
Refractories, heating and insulating bricks, tiles	8.3	.03	5.76
Abrasive articles, clay refractory products, etc.	55.8	.17	12.71
Glass and glass products	63.4	.19	9.53
Ceramics	3.8	.01	11.62
Diamonds, other precious stones	22.2	.07	2.47
Iron and steel products	97.9	.30	8.74
Ferroalloys	2.4	.01	3.85
Iron and steel shapes	13.2	.04	9.46
Iron and steel sheets, rolled	24.3	.07	6.92
Iron and steel products	58.0	.18	10.24
Processed metals: Silver, platinum, copper, nickel, lead, zinc, tin	189.6	.58	12.19
Precious metal products	14.3	.04	6.95
Copper sheets, wire, pipes	26.9	.08	10.54
Nickel sheets, wire, pipes	4.7	.01	5.11
Aluminum shapes and products	96.7	.29	11.76
Lead shapes and products	2.3	.01	16.53
Zinc shapes and products	1.0	.00	8.87
Tin shapes and products	.3	.00	1.27
Thorium and uranium, incl. waste and scrap	.1	.00	4.84
Refined metals, waste and scrap	43.2	.13	33.83
Fabricated metal products	422.4	1.29	13.99
Iron and steel structures, building materials	28.8	.09	12.28
Fabricated metal products	269.4	.82	13.86
Hand tools, household implements, knives	83.0	.25	12.84
Small household appliances	41.2	.13	21.25
Engines and generators	1,060.0	3.23	11.16
Boilers	18.2	.06	10.73
Steam turbines	4.3	.01	2.42
Engines and parts	908.2	2.77	11.05
Electric motors	83.9	.26	11.75

TABLE VII-6—continued
VALUE OF 1986 EXPORTS FROM CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	Percent of Total	California Districts as a Percent of the Nation
Hydraulic equipment	45.4	.14	20.56
Machinery	1,419.8	4.32	15.05
Mowers, harvesting equipment	90.9	.28	6.17
Excavating, drilling, road working equipment	431.2	1.31	12.49
Sewing, spinning, washing machinery	38.8	.12	6.62
Paper, box, bag making machinery	26.8	.08	9.94
Printing, publishing machinery	63.7	.19	12.75
Food processing machinery	41.4	.13	14.94
Wood, glass, plastic working machinery	727.0	2.21	25.30
Metal working tools	178.4	.54	12.00
Lathes, metal working, drilling machinery	116.0	.35	11.35
Rolling, welding, casting and soldering machinery	62.4	.19	13.41
Metal foundry machinery, pumps, power-operated handtools, valves	883.0	2.69	12.61
Industrial furnaces, heating and refrigeration	187.2	.57	10.64
Pumps	109.4	.33	15.07
Air compressors	151.2	.46	13.48
Industrial trucks, cranes, tractors, loaders	87.2	.27	9.75
Packaging machinery, saws, drills, spraying equipment	158.9	.48	16.49
Valves, bearings, molds	189.0	.58	12.31
Office and automatic data processing machines	4,687.6	14.27	28.47
Office machines	55.5	.17	12.42
Computers	2,204.2	6.71	28.16
Office machine parts	2,427.9	7.39	29.65
Radio, TV and communications equipment	1,154.6	3.52	24.19
Television	26.1	.08	9.51
Radios and radio-phonographs	14.6	.04	6.79
VCR and phonographs	47.7	.15	19.13
Audio, radio, telephone, and navigational equipment	1,066.2	3.25	26.43
Transformers, relays, printed circuit boards, TV tubes	5,056.6	15.40	34.77
Power transformers, electrical switches, etc	687.9	2.09	17.46
Medical equipment	333.6	1.02	23.26
Major household appliances	69.1	.21	12.53
TV picture tubes and electronic chips	3,412.1	10.39	55.68
Batteries and lamps	553.9	1.69	22.25
Automotive equipment	547.5	1.67	2.88
Passenger automobiles	91.6	.28	1.42
Trucks	58.9	.18	2.54
Truck tractors and buses	1.0	.00	.50
Vehicle chassis, bodies, parts	369.4	1.12	3.77
Motorcycles and bicycles	22.6	.07	17.89
Truck trailers, campers, shipping containers	4.0	.01	5.43
Aircraft, railroad equipment and boats	2,777.9	8.46	16.94
Locomotives, rail vehicles	18.5	.06	3.43
Aircraft	2,686.1	8.18	17.57
Ships and boats	73.3	.22	12.75
Lighting and plumbing fixtures	39.5	.12	17.56
Household furniture	63.2	.19	11.57
Luggage, leather products	11.7	.04	30.31

TABLE VII-6—continued
VALUE OF 1986 EXPORTS FROM CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Apparel	77.7	.24	8.30
Footwear	32.1	.10	21.06
Scientific and control instruments	1,774.8	5.40	25.48
Optical equipment: Telescopes, microscopes, etc	22.3	.07	5.92
Instruments: Medical	257.4	.78	26.63
Instruments: Meters	7.8	.02	13.35
Instruments: Other	1,487.3	4.53	26.74
Photographic equipment, clocks, lenses	369.4	1.12	14.59
Photographic equipment, including cameras	96.3	.29	15.83
Photographic film	146.0	.44	10.18
Motion pictures	23.8	.07	50.17
Optical equipment: Lenses	71.6	.22	23.10
Clocks and watches	31.7	.10	23.94
Rubber and plastic, sporting goods, office supplies, jewelry	1,041.7	3.17	16.98
Hoses, other misc. rubber and plastic products	133.1	.41	14.59
Books, other printed materials	149.2	.45	10.99
Toys, sporting equipment	167.5	.51	24.39
Pens, inks, office machine ribbons, pencils	20.9	.06	13.42
Art works, antiques, fossils, stuffed animals	125.3	.38	10.96
Jewelry	24.3	.07	7.08
Musical equipment	351.9	1.07	29.83
Miscellaneous	69.5	.21	19.46
Miscellaneous: Reimported articles	321.0	.98	28.30
Live animals (other than livestock)	1.5	.00	7.13
Military equipment	6.8	.02	.29
Metal coins, not yet legal tender	1.0	.00	41.30
Gold bullion	213.2	.65	3.92
Total	32,838.3	100.00	15.11

TABLE VII-7
VALUE OF 1986 IMPORTS INTO CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Live animals (livestock)	43.4	.06	6.44
Meat and meat products	338.7	.49	14.37
Dairy products	21.1	.03	5.01
Fish and seafood products	884.8	1.27	18.87
Cereal grains	87.1	.12	16.23
Rice	20.5	.03	62.39
Barley	2.6	.00	17.69
Other grains, flours and cereals	64.0	.09	14.91
Fruits, vegetables, grapes, nuts: Fresh and processed	651.5	.93	15.88
Vegetables	250.5	.36	17.61
Fruits and nuts	401.0	.57	14.97
Sugar, molasses, honey, gum	50.4	.07	4.67
Coffee, tea and spices	751.9	1.08	12.16
Coffee	648.0	.93	14.25
Cocoa	42.9	.06	4.45
Chocolate, candy	14.3	.02	6.33
Tea	14.1	.02	10.56
Spices	32.5	.05	10.34
Grain products not for human consumption	24.0	.03	12.04
Misc. food preparations: Soy sauce, yeast	101.6	.15	25.34
Beverages	467.8	.67	15.14
Nonalcoholic beverages	29.3	.04	24.81
Alcoholic beverages	438.6	.63	14.75
Tobacco products	6.1	.01	.90
Hides and furs	.7	.00	.35
Oil seeds: Peanuts, soybeans, copra, seeds	8.7	.01	13.54
Rubber	20.2	.03	2.19
Rubber, natural	12.5	.02	2.03
Synthetic rubber	7.6	.01	2.51
Lumber	54.9	.08	1.71
Cork and cork products	.4	.00	6.32
Wood chips, pulpwood	.3	.00	.98
Logs and timber	1.3	.00	1.20
Lumber	52.8	.08	1.68
Wood waste, charcoal	1.2	.00	10.40
Wood pulp, paper, paperboard	15.5	.02	.95
Animal and vegetable fibers	14.1	.02	3.94
Vegetable fibers except cotton	.4	.00	2.34
Cotton	.6	.00	7.37
Synthetic fibers	11.6	.02	8.97
Wool, hair, not processed	.1	.00	.08

TABLE VII-7—continued
VALUE OF 1986 IMPORTS INTO CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Rags and scrap cordage	1.4	.00	16.15
Minerals	21.6	.03	2.28
Crude phosphates for fertilizer	2.5	.00	5.53
Stone, sand and gravel	7.5	.01	1.67
Sulfur	.0	.00	6.84
Abrasives, industrial diamonds	4.3	.01	3.37
Mineral substances, clays	7.3	.01	2.25
Metal Ores	41.5	.06	2.01
Iron and steel scrap	1.2	.00	2.54
Ores	11.7	.02	1.18
Metal ores, waste and scrap materials	28.3	.04	8.35
Gold and silver ores	.3	.00	.13
Miscellaneous animal and vegetable products	104.0	.15	11.02
Animal products, nec	9.9	.01	6.18
Gums, resins, seeds, flowers, nursery stock	94.1	.13	12.01
Peat, coal and coke	2.2	.00	1.26
Petroleum: Crude oil and products, except gas	1,045.4	1.50	3.10
Crude petroleum	462.1	.66	2.04
Petroleum products	559.2	.80	5.17
Heavy petroleum products: Asphalt, etc., concrete mixes	24.1	.03	7.56
Petroleum gases and natural gases	8.2	.01	27
Animal oils and fats: Not hydrogenated	1.7	.00	10.89
Vegetable oils and fats: Not hydrogenated	111.0	.16	23.90
Hydrogenated vegetable oils and waxes	.4	.00	2.04
Organic chemicals	211.5	.30	4.52
Inorganic chemicals	102.0	.15	3.11
Dye and tanning materials	116.6	.17	14.02
Dyes	45.1	.06	9.70
Tanning materials	.4	.00	1.90
Inks, paints, varnishes, putty	71.1	.10	20.58
Medicinal and pharmaceutical products	70.2	.10	5.68
Perfumes and flavors	66.4	.10	7.91
Flavorings, perfumes	4.0	.01	3.45
Toiletries, scented oils	49.5	.07	9.69
Cleaning agents, processed animal fats	12.9	.02	6.05
Fertilizers and fertilizer materials	35.8	.05	4.14
Explosives	4.7	.01	4.25
Resins, rubber and plastic materials	211.5	.30	11.61
Chemical products	104.7	.15	8.78
Pesicides, insecticides	20.0	.03	5.88
Starches, synthetic resins	45.2	.06	13.36

TABLE VII-7—continued
VALUE OF 1986 IMPORTS INTO CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Rosins, carbon, other organic chemical mixtures	39.6	.06	7.69
Leather and fur	43.9	.06	5.44
Leather and products	41.7	.06	5.33
Furskins, dressed	2.2	.00	9.18
Tires	455.0	.65	22.93
Wood products	276.4	.40	15.31
Cork sheets and products	19.3	.03	69.79
Plywood, wood veneers, moldings, laths	86.0	.12	9.55
Wood products	171.0	.24	19.51
Paper and products	554.0	.79	8.72
Newsprint, paper	465.1	.67	8.14
Paper products	88.9	.13	13.89
Natural and synthetic yarns and fabrics	1,082.0	1.55	19.01
Yarns and textiles	715.5	1.03	18.51
Textile products other than apparel	264.9	.38	21.94
Floor coverings	101.6	.15	16.36
Stone, clay, glass, pearls, diamonds	823.0	1.18	9.74
Building materials, stone, asphalt	125.7	.18	13.13
Refractories, heating and insulating bricks, tiles	71.0	.10	17.87
Abrasive articles, clay refractory products, etc	65.0	.09	12.52
Glass and glass products	192.2	.28	14.04
Ceramics	231.7	.33	21.14
Diamonds, other precious stones	137.5	.20	3.34
Iron and steel products	1,219.4	1.75	14.06
Ferroalloys	8.3	.01	1.34
Iron and steel shapes	301.4	.43	14.99
Iron and steel sheets, rolled	640.3	.92	16.13
Iron and steel products	269.3	.39	12.99
Processed metals: Silver, platinum, copper, nickel, lead, zinc, tin	399.8	.57	5.20
Precious metal products	55.3	.08	2.85
Copper sheets, wire, pipes	63.5	.09	4.65
Nickel sheets, wire, pipes	7.4	.01	1.44
Aluminum shapes and products	193.9	.28	7.06
Lead shapes and products	1.2	.00	1.88
Zinc shapes and products	30.9	.04	6.17
Tin shapes and products	15.5	.02	6.41
Refined metals, waste and scrap	32.2	.05	10.27
Fabricated metal products	1,235.6	1.77	17.57
Iron and steel structures, building materials	53.6	.08	12.02
Fabricated metal products	714.4	1.02	16.46
Hand tools, household implements, knives	274.0	.39	19.57
Small household appliances	193.7	.28	22.89
Engines and generators	1,063.9	1.52	11.79
Boilers	8.9	.01	13.80
Steam turbines	45.9	.07	34.29
Engines and parts	646.4	.93	8.62
Electric motors	341.9	.49	28.54
Hydraulic equipment	20.8	.03	15.94

TABLE VII-7—continued
VALUE OF 1986 IMPORTS INTO CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Machinery	941.2	1.35	10.15
Mowers, harvesting equipment	148.8	.21	9.34
Excavating, drilling, road working equipment	114.6	.16	7.92
Sewing, spinning, washing machinery	96.5	.14	6.72
Paper, box, bag making machinery	30.1	.04	6.31
Printing, publishing machinery	118.3	.17	11.40
Food processing machinery	38.9	.06	13.89
Wood, glass, plastic working machinery	394.0	.56	13.13
Metal working tools	530.4	.76	16.26
Lathes, metal working, drilling machinery	479.0	.69	17.41
Rolling, welding, casting and soldering machinery	51.3	.07	10.06
Metal foundry machinery, pumps, power-operated handtools, valves	1,620.7	2.32	16.92
Industrial furnaces, heating and refrigeration	261.5	.37	28.93
Pumps	86.1	.12	11.22
Air compressors	445.1	.64	24.76
Industrial trucks, cranes, tractors, loaders	221.3	.32	11.52
Packaging machinery, saws, drills, spraying equipment	224.8	.32	16.35
Refrigerators, freezers	94.7	.14	27.10
Valves, bearings, molds	287.2	.41	11.66
Office and automatic data processing machines	7,583.6	10.86	51.62
Office machines	1,050.1	1.50	39.90
Computers	3,120.7	4.47	56.46
Office machine parts	3,412.7	4.89	52.24
Radio, TV and communications equipment	8,982.1	12.87	44.59
Television	1,246.1	1.79	46.28
Radios and radio-phonographs	1,424.9	2.04	45.17
VCR and phonographs	3,521.7	5.05	54.08
Audio, radio, telephone, and navigational equipment	2,789.4	4.00	35.84
Transformers, relays, printed circuit boards, TV tubes	7,478.8	10.71	37.87
Power transformers, electrical switches, etc	1,204.7	1.73	22.44
Medical equipment	231.5	.33	18.00
Major household appliances	758.7	1.09	33.53
TV picture tubes and electronic chips	4,023.2	5.76	61.56
Batteries and lamps	1,260.7	1.81	29.35
Automotive equipment	13,699.9	19.63	19.35
Passenger automobiles	10,078.6	14.44	20.19
Trucks	1,819.2	2.61	22.63
Truck tractors and buses	2.3	.00	.51
Vehicle chassis, bodies, parts	1,128.2	1.62	10.22
Motorcycles and bicycles	671.7	.96	50.04
Aircraft, railroad equipment and boats	901.7	1.29	16.44
Locomotives, rail vehicles	12.4	.02	2.63
Aircraft	811.4	1.16	18.06
Ships and boats	77.9	.11	14.98
Lighting and plumbing fixtures	166.3	.24	25.95
Household furniture	875.0	1.25	21.48
Luggage, leather products	352.8	.51	23.36

TABLE VII-7—continued
VALUE OF 1986 IMPORTS INTO CALIFORNIA CUSTOMS DISTRICTS BY PRODUCT

	Value ($ Millions)	*Percent of Total*	*California Districts as a Percent of the Nation*
Apparel	4,204.1	6.02	24.43
Footwear	1,474.1	2.11	22.81
Scientific and control instruments	927.1	1.33	24.25
Optical equipment: Telescopes, microscopes, etc	111.6	.16	30.10
Instruments: Medical	216.7	.31	31.58
Instruments: Meters	16.2	.02	14.74
Instruments: Other	582.6	.83	21.93
Photographic equipment, clocks, lenses	1,400.9	2.01	26.88
Photographic equipment, including cameras	420.3	.60	30.69
Photographic film	257.1	.37	23.96
Motion pictures	49.9	.07	61.39
Optical and watches	321.5	.46	26.81
Clocks equipment: Lenses	352.2	.50	23.66
Rubber and plastic, sporting goods, office supplies, jewelry	4,734.0	6.78	27.27
Hoses, other misc. rubber and plastic products	530.4	.76	19.14
Books, other printed materials	171.2	.25	12.44
Toys, sporting equipment	1,821.2	2.61	38.54
Pens, inks, office machine ribbons, pencils	94.2	.13	26.51
Art works, antiques, fossils, stuffed animals	273.9	.39	13.09
Jewelry	513.9	.74	19.96
Musical equipment	1,091.9	1.56	45.70
Miscellaneous	237.4	.34	22.07
Miscellaneous: Reimported articles	871.3	1.25	12.82
Live animals (other than livestock)	5.4	.01	15.67
Military equipment	47.8	.07	16.55
Gold bullion	52.5	.08	.92
Total	69,804.4	100.00	18.93

Within manufacturing, the role of the semiconductor industry is highlighted by the large value of exports of integrated circuits, or electronic chips. Roughly 56 percent of the national total is from California. The relative importance of computers, office machines, office machine parts, specialized audio-radio-telephone and navigational equipment and scientific instruments illustrates the dominance that California has in the area of technology.

In reviewing these data it should be kept in mind that the figures do not represent entirely California-produced goods, but rather shipments from California ports. In the case of agriculture and the technology-related categories, however, it seems safe to assume that most of the products do originate in this State.

As would be expected, exports of such commodities as textiles, iron and steel products, metals and petroleum products are less important here than in eastern and Midwest states.

The state's share of imports appears to reflect several aspects: the technology orientation of much of California's business, its proximity to Southeast Asia, and perhaps even lifestyles. It is no surprise that over half the nation's imports of computers, TV tubes and electronic chips and VCRs and phonographs come through California. The State also claims better than half all motorcycle-bicycle and motion picture imports.

At the other end, only 2 percent of all crude oil and less than 0.3 percent of all natural gas is imported into California. The natural gas figure is not entirely accurate, however. Gas imported from Canada will enter customs along the northern border of the U.S., even though it may actually be destined for California.

Factors of Production

Individual production factors go far to explain many trading patterns. These range from the availability of resources to subsidy programs.

Resource availability is, as noted earlier, critical. California, in particular, is able to provide critically needed raw materials to resource-poor countries.

Investment costs also enter the picture. The availability and cost of capital varies substantially from one country to the next. The high degree of liquidity in this country at the present time, and the improved level of interest rates facilitate the construction and modernization of plants which can compete effectively against foreign producers.

Technology is critical. Many successful firms in the international market have achieved their position by the substitution of capital for labor. This has involved the use of advanced technology which can increase the speed of operations and the quality of the product.

Labor costs are another element, although far less important than in earlier years. Development pressures in other countries have led to an acceleration in unit labor costs, which has placed them above levels for U.S. companies in some instances. In has been estimated that in Japan, for instance, the typical factory worker now makes 12 percent more than his U.S. counterpart when the devaluation of the dollar is taken into consideration. In other countries the gap vis-a-vis the U.S. is closing significantly.

Substantial wage differentials will continue in lesser-developed countries, however—especially those which are primarily resource oriented and faced with slow or uneven economic growth, internal policy conflicts and an inflationary environment.

A related development is increased involvement of production workers in the decision-making process. Some foreign producers have been using this technique—dubbed quality circles—quite effectively. Producers in this country have only recently begun to experiment with the concept. Initial reports suggest that it does improve the cohesiveness of a production process with mutual understanding of the problems faced by the work force and management.

Trends in inflation have an impact on all other factors of production. The containment of rapid price rises in the U.S. has effectively slowed the increase in production costs. Many other countries, in contrast, are still facing a serious inflation problem. In a free trade environment, this would work toward making U.S. products more competitive in foreign markets.

INFLATION RATES

	1984	*1985*
United States	4.3	3.6
Japan	2.3	2.0
West Germany	2.4	2.2
France	7.4	5.8
Italy	10.8	9.2
United Kingdom	5.0	6.1
Canada	4.3	4.0

The subsidy issue is perhaps the most difficult to quantify. Foreign producers of some commodities or products receive substantial government subsidies, permitting them to market their products abroad at favorable prices. As already noted, similar programs have been under-

taken in the United States on occasion. Subsidies are not a panacea for trade, however. They merely compensate for imbalances in the short run and do nothing to bring about the adjustments needed to insure that U.S. producers can compete effectively on their own.

The improvement shown in this country—evident from the summary of production factors in Table VII-8 will be most effective if attempts to capitalize on developing advantages are avoided. For instance, prices should reflect production costs; excessive increases by domestic producers when import prices rise or demand appears strong could well prove self-defeating in the longer run. Wage settlements which significantly outstrip productivity improvement could reverse the gains made to date.

Efforts to achieve special treatment for an industry is more difficult to evaluate. If the result is preservation of an inefficient structure, it is ill-advised. If, however, an industry is facing temporary problems which can reasonably be expected to be resolved in the intermediate term, support is well worth while.

Ideally, interactions between countries will lead over time to an equalizing of these factors. There is at least one indication that this may, in fact, be occurring in the United States. A major producer of electrical equipment recently announced that it would again produce television sets in this country. Investment in a modern plant, the installation of technologically advanced equipment and relatively favorable labor costs led to the decision to pull manufacturing back from overseas.

Another example relates to foreign auto manufacturers. Several have found that wage costs in the United States and abroad are narrowing rapidly. It has been reported, for instance, that wages for auto workers in Japan now virtually equal those paid in the U.S. This situation has been one factor in the establishment of plants and joint ventures with American producers in this country.

TABLE VII-8
INTERNATIONAL COMPARISONS

	Manufacturing productivity *Annual average percent change*			
	1973–79	*1979–85*	*1984*	*1985*
United States	1.4	3.1	4.1	4.4
Japan	5.5	5.7	7.0	5.0
West Germany	4.3	3.2	3.7	5.6
France	5.0	3.8	3.9	3.3
Italy	3.3	3.7	5.4	3.1
United Kingdom	1.2	4.2	4.5	3.4
Canada	2.2	1.7	3.7	3.2
Sweden	2.6	3.3	4.4	2.7
	Unit labor costs, manufacturing *Annual average percent change*			
	1973–79	*1979–85*	*1984*	*1985*
United States	8.0	3.7	−.5	.6
Japan	6.9	−1.1	−3.9	−2.5
West Germany	4.9	2.8	1.0	.5
France	10.7	8.3	4.7	2.5
Italy	16.7	12.0	2.8	7.0
United Kingdom	17.9	6.7	2.5	3.7
Canada	9.8	6.6	−2.1	1.9
Sweden	11.2	6.2	4.8	7.3

Source: U.S. Bureau of Labor Statistics

Regional Activity

Any discussion of trade is most relevant on a statewide basis given the free movement of goods once they enter California. Regional impacts from trade are pronounced, however, considering that trade is concentrated in relatively few areas.

The Los Angeles customs district handles 67 percent of the trade through California. San Francisco accounts for 30 percent, with San Diego at 4 percent. The importance of the Los Angeles district has been only one factor in the proposed development of a new world trade center in Long Beach. When completed in the early 1990s, the $550 million project, being developed with the participation of Japan's biggest construction firm, will be the largest such complex west of New York. It is being designed to provide a focal point for the international trade and business community in the Los Angeles area.

Port facilities in the area are also being modernized, which should provide a strong basis for further expansion of international dealings. As in other ports, there has been increased emphasis on containerized shipping, which was developed to facilitate transshipments by truck and train.

The San Francisco district is now dominated by the Port of Oakland, which handled trade estimated at $11.5 billion in 1985. Oakland has the advantage of good access to the large distribution centers of the Bay Area and transportation systems needed to move shipments to the east.

Over the past two decades there have been significant shifts in activity from northern to southern ports, and from waterborne transportation to air. In 1967, for instance, 41 percent of all exports went out from the San Francisco customs district. In 1986, this district accounted for just under 35 percent. The situation for imports was similar, with the north state share falling from 31 percent to 27 percent over the 18 years.

Shifts in method of transportation have been pronounced. In 1967, 69 percent of all exports from the California ports, and 94 percent of all imports, were waterborne. Over the years air transportation has steadily increased in importance, so that the waterborne share in 1986 had fallen to approximately 43 percent of exports and three-fourths of all imports by value.

The other category, which is dominant for the San Diego customs district, represents largely truck shipments to and from Mexico.

Another aspect supporting trade is the free trade zone. There are three of these in the State, in Southern California, San Jose and San Francisco, with a fourth expected to be located in the Sacramento area in the future.

Zones have a variety of functions. Basically, they permit the temporary storage of goods without the payment of customs duties. This is particularly useful for cargoes which are to be subsequently shipped to another country. Zones also permit storage until such time as the importer wishes goods to enter the market. Others, however, include manufacturing operations. These are particularly useful when customs duties on component parts are higher than the tariff on assembled merchandise.

The Southern California zone—Foreign Trade Zone #50—has been in operation since December 1982 when the first facility opened in Long Beach. Since that time, it has expanded from Santa Ana to San Diego. The Ontario expansion, adjacent to the international airport, is one of the largest in the west with 1,350 acres available. The San Diego site—at the National Steel & Shipbuilding Company—is designed for the importation of raw materials and shipboard equipment for shipbuilding and repair activities. Toyota, for instance, maintains a truck bed assembly plant in a sub-zone. The value of merchandise passing through the zone amounted to $155 million in 1985. Employment has grown to approximately 6,000 over the four years.

The San Jose free trade zone provides an important service to electronic firms in the Silicon Valley. Electronic equipment undergoes testing in the zone to insure proper operation. Faulty items can then be returned to the foreign manufacturer without ever officially entering the U.S.

The Impact on Jobs

Foreign trade directly and indirectly accounts for a large number of jobs in the State. Estimates run as high as 1 million.

The Port of Long Beach has calculated that 200,000 jobs are attributable to foreign trade activity in that area alone.

Job figures are difficult to estimate at best, however, given the complex nature of production and distribution activities. The direct job impact is certainly large in California, with agriculture and manufacturing two of the most important sectors. Indirect job measures are less easily identified and are therefore subject to interpretion. Most figures include the generally broad range of activities associated with the production, transportation, financing and distribution of imports and exports.

The U.S. Bureau of the Census does publish estimates on employment related to exports of manufac-

TABLE VII-9
DISTRIBUTION OF SHIPMENTS BY METHOD OF TRANSPORTATION, 1985
(percent)

	Waterborne	*Air*	*Other*
Exports			
Los Angeles	45.8	50.6	3.5
San Francisco	53.4	46.6	—
San Diego	7.4	.4	92.2
Imports			
Los Angeles	86.1	12.4	1.5
San Francisco	60.5	38.8	.8
San Diego	14.1	3.9	82.0

Source: U.S. Bureau of the Census data
California Department of Finance

TABLE VII-10
EXPORT-RELATED JOBS FROM MANUFACTURING

	Manufacturing			
	Direct export-related	*Supporting exports*	*Total*	*Percent of industry*
Total	152.6	84.2	236.8	11.9
Nonelectrical machinery	42.7	11.9	54.6	23.0
Electrical & electronic equipment	38.3	15.9	54.2	16.2
Transportation equipment	28.5	9.0	37.5	13.6
Instruments	14.7	2.5	17.2	18.5
Fabricated metal products	4.6	8.2	12.8	9.4
Food products	5.9	2.4	8.3	5.0
Rubber & plastic products	2.7	4.8	7.5	11.2
Chemical products	4.1	2.7	6.8	13.4
Primary metals	.8	5.7	6.5	16.9
Stone, clay, glass	2.2	2.3	4.5	9.3
Lumber & wood products	1.4	2.5	3.9	7.4
All other	5.5	15.9	21.4	4.6

Source: U.S. Bureau of the Census

tured goods. The latest figures are based on 1983 export data and include not only jobs in manufacturing, but in trade, business services, transportation, and other sectors. The California total was put at 465,400. This represented 12 percent of the national total, but only 5 percent of all private sector jobs, and an even smaller 4 percent of civilian employment. This job figure is understated, however, since it excludes workers associated with agricultural and mining exports, and the export of services.

Approximately 80 percent of the export-related jobs in manufacturing were attributable to four industries: nonelectrical machinery, electric and electronic equipment (primarily the latter), transportation equipment (aircraft) and instruments. This is yet another illustration of the importance of the high technology industries in the State.

Foreign Investment

For a state like California, which derives a significant amount of business from foreign trade activities, the national foreign trade deficit presents some conflicts. In reality, California benefits from foreign trade—whether imports or exports. An indirect benefit is the volume of foreign investment coming into the State. The United States is still a preferred area for foreign investors with dollar denominated assets. There are a number of reasons for this.

- While interest rates overall have declined, real interest rates after inflationary trends are taken into account remain fairly high.
- Inflation is the lowest of the industrialized countries.
- The drop in the value of the dollar, and the effect this has had on comparative price movements, has led a number of firms to invest in manufacturing facilities in the U.S. to preserve their market.
- Economic growth, although much slower than in past years, nevertheless remains good.
- Long term prospects for the United States—and California in particular—are positive.
- Finally, the U.S. is still regarded as a "safe haven" for foreign investments: political stability, among other factors, makes investment in this country less risky than in many other areas.

Economic growth can be shown by a number of factors, of which real, or inflation adjusted, gross domestic product and the unemployment rate are two good barometers. The United States compares favorably to other countries in both of these measures.

TABLE VII-11
UNEMPLOYMENT RATES
(percent)

	Third quarter	
	1985	*1986*
United States	7.2	6.9
Japan	2.6	na
Sweden	2.8	2.6
Italy	6.0	6.1
West Germany	7.9	7.5
Australia	8.3	na
France	10.4	10.7
Canada	10.5	9.7
United Kingdom	13.1	na

Data on unemployment rates should be used with caution, since aspects such as skill levels, labor mobility, structural changes in the economy and population shifts can affect interpretation. The national rate shown for 1985, for instance, was probably only 1 percentage point or so above an effective full employment level.

Investments have gone into financial instruments such as Treasury notes which help fund the ongoing federal budget deficit. They have been reflected in real property and have been used to start up manufacturing operations and to establish financial institutions. Direct foreign investment in California has become a major factor.

Reports on the volume of such activity are fragmented. Data from

different sources are overlapping to some degree, and no information exists on individual investment in residential properties. There have been suggestions, however, that some communities in Southern California, in particular, are extremely attractive to foreign investors.

The two primary sources of data are the U.S. Bureau of Economic Analysis (BEA) and the U.S. Department of Agriculture. The BEA estimated investment in property, plant and equipment at $31.3 billion as of 1984. This reflected a 13 percent increase from the 1983 level. Over the past several years, in fact, the growth of foreign investment in California has consistently outpaced that for the U.S. as a whole.

The largest share of the $31.3 billion total is from Canada, with a $5.2 billion stake in California. The United Kingdom and Japan are roughly equal, with $3.9 billion and $3.8 billion, respectively. A Middle East group of countries accounts for $2.1 billion, with West German investors holding $1.3 billion.

Employment by nonbank affiliates of foreign firms is also significant, amounting to 278,933 in 1984. Japanese, British and German firms accounted for over half the total.

Country	*Employees*
Japan	53,135
United Kingdom	47,267
West Germany	43,591
Canada	27,204
Netherlands	22,318
Switzerland	19,864
France	17,946
Latin America	16,987
Australia, New Zealand and South Africa	7,797
Middle East	6,718
Other Africa, Asia and Pacific	5,322
All other	2,164

The U.S. Department of Agriculture placed foreign ownership of the state's farmland at 895,766 acres, with a reported value of $1.79 billion as of December 31, 1985. More than a third of this acreage is in only three counties: Tehama and Butte, where forest holdings are high, and Kern County with ownership primarily of cropland.

Only limited data have been published on ownership by country. Hong Kong interests appear to have the largest stake with 231,673 acres, followed by the Netherlands Antilles at 122,600, the United Kingdom at 100,737, West Germany at 92,386, and Canada, with 40,213.

Foreign investment in financial institutions and agencies has also been growing steadily. Of the 25 largest banks in California at the end of 1985, 12 were subsidiaries of foreign banks. One of these was subsequently eliminated with the purchase of Crocker National Bank—owned by Midland Bank of the UK—by Wells Fargo.

The 26 under state charter alone had 512 branch offices and California assets of approximately $30 billion. The latter represented more than a third of the assets of state chartered institutions. Information on the assets of foreign-owned banks under federal charter is not readily available.

In addition to full service banks, there are nearly 100 foreign banks with representatives, or agencies, in California. The total has been rising steadily over the past decade: at the end of 1976 there were only 49 such representatives in the state. Assets in the latest year amounted to $49 billion, up from $8.5 billion nine years earlier. Agencies and representatives are involved primarily in foreign trade financing.

Not to be omitted are the 36 Edge Act corporations in California. These represent subsidiaries of U.S. banks, set up to engage in specialized foreign lending.

The growth of foreign investment in financial services is not due entirely to international trade activity. On a more general basis, the strength and size of the California economy and its longterm potential are critical elements. The institutions are important, for instance, in funding the expansion of foreign plants operating in the U.S.

Political factors can also play a role. It appears that financial interests from Hong Kong are expanding rapidly in the United States in anticipation of the return of Hong Kong to the Peoples' Republic of China in 1997.

Foreign investment has certainly been a major factor in the commercial and office building market. The Los Angeles Chamber of Commerce has collected information suggesting that purchases of office buildings in Southern California have been a very significant factor over the past year. The sale of the Arco Plaza to the Shuwa Investment Company was valued at more than $600 million. The company went on to purchase the Chase Bank Plaza ($170 million) in downtown Los Angeles and two office buildings in the Century City development. The still unfinished 1000 Wilshire/Coast Federal building, with a construction cost of $150 million, was bought by the real estate subsidiary of Sumitomo Bank. Mitsui Fudosan (USA) is about to break ground in Los Angeles on its first office building development in the United States. The project is valued at $200 million.

Twenty-five U.S. subsidiaries of Japanese firms are headquartered

in the Southern California area. This includes seven auto firms.

The examples noted above are those which were particularly large, and which illustrate the interaction between trade and investment. Other countries are making major investments in California as well. Foreign investment in the State was up 13.4 percent in 1984—the latest year for which data are available.

The figures given here, impressive as they are, are far from complete. Much investment by foreign firms goes through companies which cannot easily be identified as being owned or controlled by foreign investors.

Foreign acquisitions have certainly helped in the absorption process for new commercial and office space in major metropolitan areas of the State. Considering the underlying strength of the State, and the longterm potential for growth, foreign investment should continue to be an important factor.

The Declining Dollar

Efforts to bring about a turnaround in the nation's trade imbalance have involved an intentional devaluation of the U.S. dollar vis-a-vis the currencies of major trading partners. Briefly, this has involved lowering interest rates and encouraging other nations to stimulate their own rate of domestic growth. This would then be reflected in greater exports of American products, as prices of U.S.-produced goods became relatively less expensive overseas. Imports would be curbed, in contrast, as prices rose.

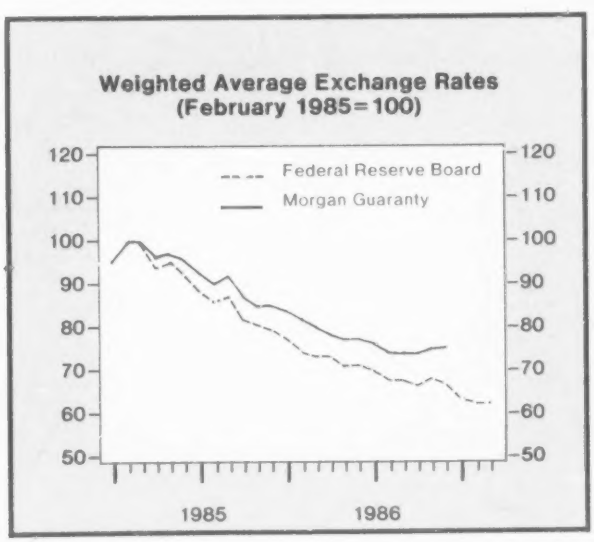
The process would not be rapid, however. The well-publicized J-Curve reflects the delay: imports continue to grow for a period of time, as shipments underway and orders in process are worked down. There are lags in developing new export business. As a result, the trade deficit continues to deteriorate for a period of time while exports and imports adjust to relative price changes.

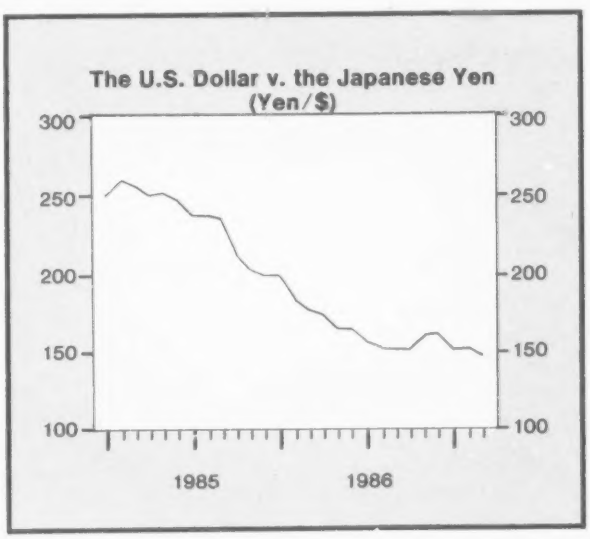
A significant turnaround had been expected long before now. In reality, the situation is only now showing the first signs of improvement. Various explanations have been offered for the delay in achieving a better trade balance. The federal budget deficit is certainly a deterrent to improvement. The stimulus provided by the deficit is reflected in demand for imported goods, but does nothing for exports. No significant improvement in the trade outlook can be expected until meaningful progress is achieved in reducing the budget deficit.

Another factor is the relationship between gross domestic demand and imports. There is a strong correlation between the two. This suggests that the only way to bring about a substantial improvement in the trade imbalance may involve reducing domestic demand. Since this could well involve recession, however, it is not regarded as a viable policy alternative.

Less often mentioned are the intangible elements which defy precise analysis and modeling. In fact, one of the better explanations for the situation may be found in the California consumer.

- The rate of economic growth in California has been strong. In fact, given the problems in capturing all economic activity in the usual measures, growth has probably remained somewhat better than generally thought.





- Per capita income is higher than that of only five other states. This strength comes about in part from the substantial proportion of two earner families, and the employment mix which emphasizes high skill levels.

- Import price rises have been modest for many items, making it easy to accommodate relative price shifts with given income levels.

- The overall high standard of living in the State creates a strong market for the type of goods being imported. For many items there is no domestically produced alternative.

- There is a strong quality perception associated with many imported goods.

Aspects such as these go far to explain why the falling value of the US dollar has yet to turn around the trade imbalance.

There is still much disagreement on how much the US dollar has fallen. Three frequently cited measures lead to quite different conclusions. The Federal Reserve Board's measure suggests a 23 percent decline from the peak in February 1984 to December 1986. Other indices reveal a significantly different situation, however. Between February 1984 and November 1986 the Morgan Guaranty Bank index indicated only a 12 percent drop, versus the 18 percent decline shown by the Federal Reserve series.

Any measure can be criticized for the particular countries included or the weights assigned to each. In reality, the situation is so fluid that any attempt to compress all the related factors into a single index is probably impossible.

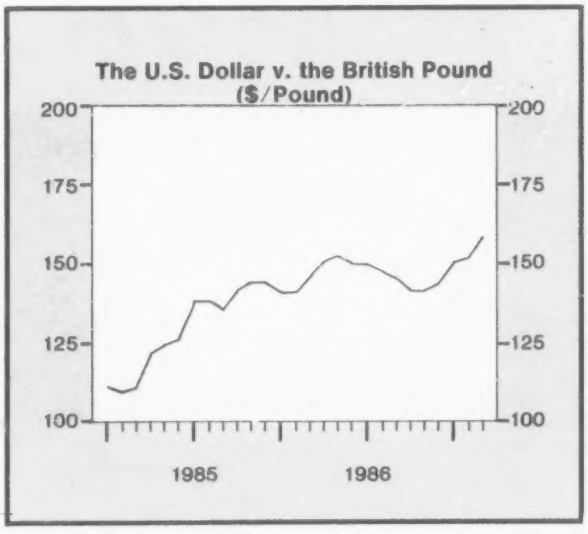
Most attention is focused on the dollar vis-a-vis other major currencies. The series of graphs which appears on these pages highlights the situation with respect to the Japanese Yen, the German Mark, the British Pound and the French Franc.

The US$-yen relation is of special interest, given the importance of trade with Japan. The dollar reached a high of 230 yen as of February 1985. By the end of 1986 it had fallen to approximately 160 yen. In the first four months of 1987, however, the dollar fell to post-World War II lows against the yen, reaching a level just under 140 yen at one point. A United States-Japan agreement on interest rates at the start of May appeared likely to stabilize the dollar at a somewhat stronger level.

Over the longer run there may be further slippage. There are some estimates that the dollar will fall slowly to 120 yen by 1990, at which point an equilibrium will be established.

The devaluation which has already occurred would suggest that the trade balance should already have seen a significant improvement. There are various other situations, however, which tend to offset changes in currency valuations. Less often publicized is the role played by countries which tie their currencies directly to the U.S. dollar. The dollar has actually strengthened relative to the Korean won and the Taiwanese dollar, for instance. Such countries have themselves experienced a devaluation similar to that seen for the United States in relation to such currencies as the yen and the mark.

To the extent that imports are being shifted from Japan to Korea, to cite



only one example, prices in this country will not rise as might be expected given overall trends in the value of the dollar. In fact, there have been reports that a number of Southeast Asian countries are eager to move into the trade gap created by the Japanese Yen-US$ situation. Available data are only starting to show this effect. Figures for 1987 should see a pronounced shift of trade to countries with dollar-denominated currencies.

Beyond this, there have been adjustments of margins which have effectively offset part of the impact of currency adjustments. Foreign exporters have been able to cut profit margins to prevent significant price rises for their goods in the U.S. Unfortunately, there have also been reports of U.S. exporters taking the opportunity to expand their margins, thereby reducing the price advantage which American products should have in overseas markets.

Another aspect is the recent effort of manufacturers in countries whose currencies have increased relative to the US dollar—such as Japan—to expand production in countries with currencies tied to the dollar. Again, this delays the anticipated improvement related to relative price changes.

Barriers to Trade

Currency adjustments are only one element in the trade dilemma, however. Promotion of exports can only be as effective as the desire of the trading partner to accept those exports. In many countries, political considerations, cultural patterns and preferences make it difficult for any import to compete, even if it has a decided price advantage.

The issue of trade barriers is of special interest to California's agricultural industry, which has the capacity to increase exports substantially. Barriers have been established which effectively constrain shipments of many products from the State.

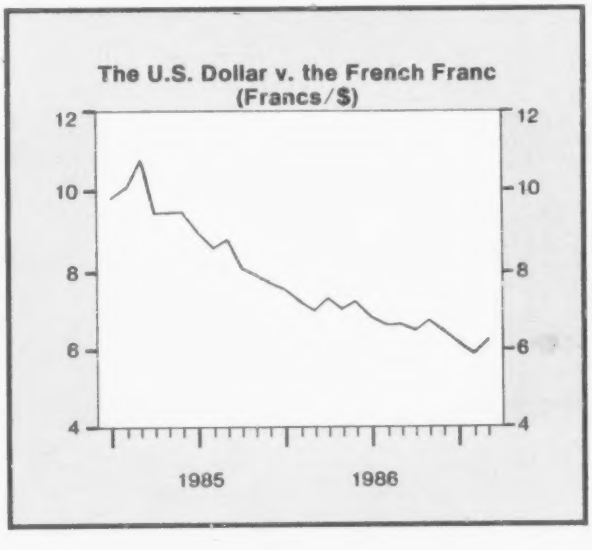
Beef shipments are frequently cited as an example of the political barriers faced by California farmers. California accounts for 46 percent of all meat and meat product exports from the nation. Over 80 percent of the state's total goes to one country: Japan. The market could be expanded considerably, however, were it not for Japan's quota system which limits beef imports to 45,000 metric tons a year.

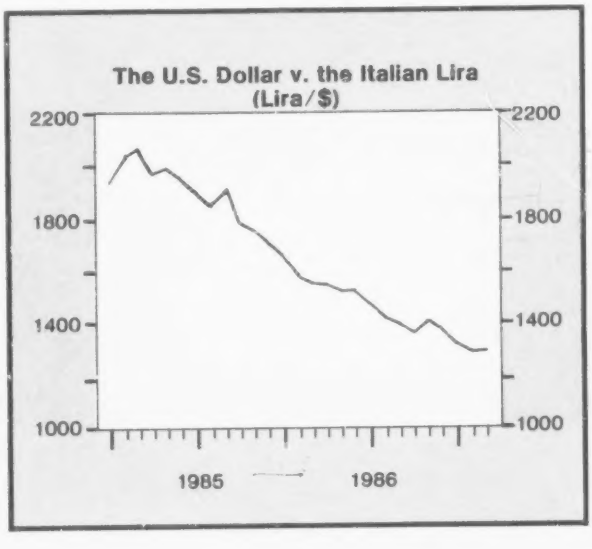
Increased beef exports to Asian trading partners would result in a better supply of meat for consumers in those countries at a far lower price than that now being paid. This would provide unwelcome competition for foreign domestic producers, however—producers who have so far been able to restrict the entry of American beef into their markets.

Fruit growers face similar obstacles. Much of the concern purportedly relates to possible infestations of various pests.

The country requires "perfectly treated" products, which means a zero tolerance for pests. This standard effectively precludes even products which have undergone fumigation. Furthermore, California does not have some of the pests cited in restrictions. Even so, California fruits are barred.

Rice growers have also experienced discrimination. U.S. rice is excluded outright from Japan,





which is concerned with maintaining self sufficiency for this staple. It has been estimated that only 5 percent of the Japanese market would absorb virtually all of California's rice production.

California's wine growers have faced significant barriers also, with tariffs running as high as 120 percent in Hong Kong and 180 percent in the People's Republic of China. It should be noted, however, that restrictions on wine in Taiwan have been significantly eased in recent months.

An extensive documentation of barriers to trade for agricultural products, prepared last year for the California State World Trade Commission, gives numerous other examples of excessive regulation of agricultural products. It would appear that many barriers have been established to protect a domestic industry, even though the stated reason may relate to such aspects as concern about potential insect infestations.

The semiconductor chip "war" of 1986 was a classic example of the problem for manufactured goods. Japanese firms are known to have dumped electronic chips in other contries at prices far below those charged in Japan or charged to American importers. In fact, prices have at times been below actual production costs. Chips produced in California would be highly competitive if they were admitted. An agreement signed last summer was designed to curb dumping, and to open the Japanese market to a limited volume of California chips. In overall terms, however, the agreement was only a small step toward the liberalization of trade. More seriously, there are indications that dumping has resumed for related products, in violation of the 1986 agreement.

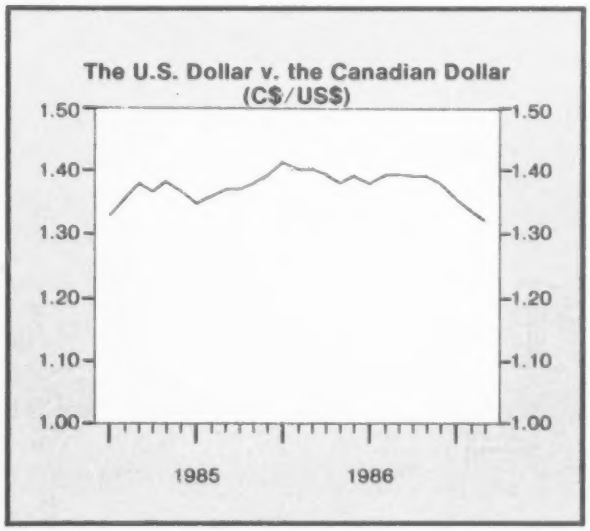
Some products, of course, face no barriers. A commodity such as raw cotton, for instance, is in high demand by Asian textile and apparel manufacturers, who in turn ship finished goods back to the U.S.

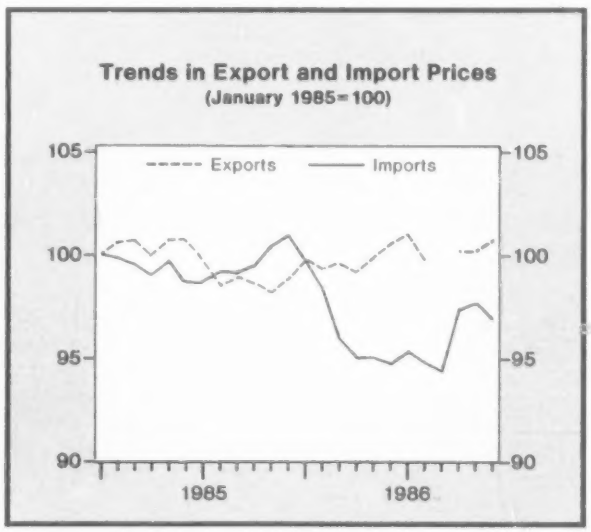
With many countries, there are no problem barriers to trade, and California products are able to compete effectively against domestic goods and imports from other countries.

The issue of trade barriers ties directly to the eventual solution of the nation's trade deficit. Assumptions of a significant turnaround in the deficit are predicated largely on a major rise in exports. Existing barriers, however, will keep exports from reaching their potential in countries with a strong market. Imports, in contrast, will continue to grow with gains in personal income and rising gross domestic product. As a result, it can be concluded that only a severe limitation in imports, possibly brought on by recession, will effectively reduce the existing foreign trade deficit.

Opening of a trade office in Tokyo in January 1987 represented an initial effort to break down some of the barriers which provide the greatest obstacles to exports. While no great surge in exports of California products is expected as a result, even modest gains in speciality items will prove the competitiveness of American goods in traditionally difficult markets.

The Tokyo location for a trade office was an obvious choice given the role of Japan in trade passing through California ports. Japan alone accounts for 23 percent of all the exports leaving California ports,





and 45 percent of the imports. Its nearest competitor for exports is Australia, with only 40 percent of Japan's volume. Taiwan is in second place for imports, with approximately one-fourth the Japanese total.

The state's second foreign trade office was officially opened in London in April of this year. It is expected to open further trade channels with both Western Europe and the Middle East. California products have become far more competitive in many of these markets, given the devaluation of the dollar. While the yen and the mark receive the most attention, the dollar's decline against the French franc and the Italian lira has also been pronounced. The London trade office will build on this situation in developing new outlets for California products.

Trade Policy

Resolution of the trade deficit situation will not be easy, requiring national and international cooperation on a number of fronts.

The greatest potential danger lies in protectionism. Tariffs and quotas will not solve the problem; they will only delay the adjustments which are necessary in the longer run. The voluntary quota program for Japanese cars, for instance, was followed by a surge in imports when it was lifted. Imports are now running 60 to 80 percent higher than when the quotas were in place, with new entries from Korea and Yugoslavia contributing to the total.

Tariffs are inflationary, since they are passed on to the final consumer. Furthermore, moderate tariff levels may do little to curtail consumption of imports if attitudes, life styles and perceptions do not change.

There are, of course, special situations which seem to require such direct intervention. The problem of dumping—selling products in another country for less than they are sold in the country of manufacture or for less than the cost of production—is tantamount to illegal competition. Such sales can be used to drive producers in the importing country out of business, thereby permitting higher prices in all markets in the future.

Dealing with unrealistic non-tariff barriers is also difficult since unilateral policy moves can do little to rectify the situation. Devaluation has proved to be an uncertain route, also, with unanticipated delays in impacts.

In the final analysis, policy must combine a variety of elements, including international agreements to remove barriers and permit the free movement of commodities in response to comparative prices and market demand. The breaking down of obstacles created by a tradition of strong nationalism will be more difficult to accomplish. Political considerations may be so pronounced that trade will be constrained even though it would result in a higher standard of living for the population. In such instances, perceptions and other nonquantifiable issues dominate reality and hinder efforts to achieve a more equitable situation.

Nevertheless, there are programs which can be undertaken at the state level to increase awareness of American and California products and facilitate the development of trade.

Opening of a trade office in Tokyo was a direct effort to improve prospects for California producers in the country which runs the largest trade surplus with California, and which has the potential of accepting far more imports from this state.

There are initial indications that the office is having an impact.

- Japan's leading business organization, Keidanren, has joined with *The Japan Economic Journal* in calling for an end to the ban on rice imports.
- A small step has been taken to open up construction projects in Japan to U.S. firms.
- Japanese firms have agreed to participate in building a $200 million steel mill and waste-to-energy plant in Fresno County.
- A Japanese investment mission will visit California later this year to study the state's investment climate.
- The Bank of Tokyo will promote California products and tourism at its branches throughout Japan.
- California camping and hiking equipment will be promoted by the Japanese Ministry of International Trade.
- Trade leads have been referred from Tokyo to Sacramento, and are being actively pursued.

It is hoped that the office will provide a focal point for discussion on other problem areas, as well, such as the continued concerns of the semiconductor industry over pricing and marketing of electronic chips.

Beyond that, the California World Trade Commission has adopted a four-part strategy to improve international business for firms in the State. International marketing, for

instance, involves coordination of trade show participation. This has often been difficult for smaller firms. With the State providing an "umbrella" exhibit, a variety of California products can effectively be promoted.

The second aspect involves collecting and distributing information not readily available to potential exporters. Trade leads, for instance, are referred to appropriate companies on an expedited basis.

The export finance program, which got underway in August 1985, assists small and medium-sized exporters in obtaining loans. The maximum guarantee is $350,000, with strict requirements, including a firm export order. At least half the product or service to be funded must originate in California. The program has backed more than $20 million in exports so far—a small figure in the overall trade picture, but important to the firms involved.

Finally, the Commission has assumed an advocacy role in the attempt to modify barriers to trade.

Other efforts to stimulate exports are being developed. A liaison position in the Governor's office, for instance, will coordinate efforts at trade promotion by various state offices.

Beyond this, California business is being asked to pursue export opportunities aggressively.

All of these programs will have an impact, although progress may be slow in many areas. The natural resistance to change comes into play. Furthermore, the number of countries, firms and individuals likely to be affected almost insures that roadblocks will be thrown up whenever a particular interest is threatened. Only time and continued negotiation will bring about an atmosphere in which trade can reach its fullest potential.

General note

Information is available on additional commodity groups for the top 36 nations in value of exports from and imports into California ports. All together, these countries account for roughly 98 percent of foreign trade in the State. Specific data requests should be addressed to the California Department of Finance, 1025 P Street, Room 325, Sacramento, CA 95814. Telephone: (916) 322-2263.

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TABLE 1

POPULATION OF THE UNITED STATES AND CALIFORNIA, 1960–86 [a]

Year (July 1)	United States [1]	California [2]	California as percent of United States	Percent change	
				United States	California
1960	179,975,000	15,863,000	8.8	1.6	3.8
1961	182,973,000	16,412,000	9.0	1.7	3.5
1962	185,738,000	16,951,000	9.1	1.5	3.3
1963	188,438,000	17,530,000	9.3	1.5	3.4
1964	191,085,000	18,026,000	9.4	1.4	2.8
1965	193,460,000	18,464,000	9.5	1.2	2.4
1966	195,501,000	18,831,000	9.6	1.1	2.0
1967	197,374,000	19,174,700	9.7	1.0	1.8
1968	199,312,000	19,432,000	9.7	1.0	1.3
1969	201,306,000	19,744,700	9.8	1.0	1.6
1970	203,984,000	20,039,000	9.8	1.3	1.5
1971	206,827,000	20,346,000	9.8	1.4	1.5
1972	209,284,000	20,585,000	9.8	1.2	1.2
1973	211,357,000	20,869,000	9.9	1.0	1.4
1974	213,342,000	21,174,000	9.9	0.9	1.5
1975	215,465,000	21,538,000	10.0	1.0	1.7
1976	217,563,000	21,936,000	10.1	1.0	1.8
1977	219,760,000	22,352,000	10.2	1.0	1.9
1978	222,095,000	22,836,000	10.3	1.1	2.2
1979	224,567,000	23,257,000	10.4	1.1	1.8
1980	227,255,000	23,780,000	10.5	1.2	2.2
1981	229,637,000	24,265,000	10.6	1.0	2.0
1982	231,996,000	24,783,000	10.7	1.0	2.1
1983	234,284,000	25,308,000	10.8	1.0	2.1
1984	236,495,000	25,780,000	10.9	0.9	1.9
1985	238,740,000	26,358,000	11.0	1.0	2.2
1986	240,941,000	26,981,000	11.2	0.9	2.4

[a] Includes members of the Armed Forces stationed in the area.

[1] Source: 1960–86 U.S. Bureau of the Census, Current Population Reports P-25.

[2] Source: 1960–69 California Department of Finance, Population Research Unit.
1970–86 U.S. Bureau of Census Current Population Reports P-25.

TABLE 2

COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1960–86

Year (July 1)	Civilian population [1]	Net change	Net migration [2]	Natural increase [3]	Gains from military
1960	15,550,000	586,000	351,000	231,000	+4,000
1961	16,108,000	558,000	308,000	244,000	+6,000
1962	16,634,000	526,000	306,000	240,000	−20,000
1963	17,197,000	563,000	320,000	234,000	+9,000
1964	17,706,000	509,000	308,000	230,000	−29,000
1965	18,143,000	437,000	232,000	217,000	−12,000
1966	18,459,000	316,000	179,000	185,000	−48,000
1967	18,796,000	337,000	198,000	184,000	−45,000
1968	19,046,000	250,000	102,000	176,000	−28,000
1969	19,354,000	308,000	118,000	185,000	+5,000
1970	19,663,000	309,000	96,000	193,000	+20,000
1971	20,002,000	339,000	128,000	184,000	+27,000
1972	20,264,000	262,000	98,000	144,000	+20,000
1973	20,558,000	294,000	162,000	130,000	+2,000
1974	20,874,000	316,000	182,000	131,000	+3,000
1975	21,249,000	375,000	228,000	145,000	+2,000
1976	21,653,000	404,000	248,000	153,000	+3,000
1977	22,075,000	422,000	248,000	174,000	—
1978	22,566,000	491,000	314,000	177,000	—
1979	22,991,000	425,000	234,000	191,000	—
1980	23,509,000	518,000	308,000	210,000	—
1981	23,991,000	482,000	257,000	225,000	—
1982	24,495,000	504,000	265,000	239,000	—
1983	25,021,000	526,000	279,000	247,000	—
1984	25,482,000	461,000	215,000	246,000	—
1985	26,055,000	573,000	312,000	261,000	—
1986	26,675,000	620,000	353,000	267,000	—

[1] Source: U.S. Bureau of Census.
[2] Source: California Department of Finance, Population Research Unit Report 86-E-2.

TABLE 3

TOTAL POPULATION OF CALIFORNIA COUNTIES, JULY 1, 1986

County	Total Population 7-1-86	County	Total Population 7-1-86
Alameda	1,212,000	Placer	142,800
Alpine	1,200	Plumas	19,400
Amador	23,900	Riverside	864,600
Butte	165,600	Sacramento	916,700
Calavaras	27,900	San Benito	32,100
Colusa	15,000	San Bernardino	1,138,000
Contra Costa	729,800	San Diego	2,205,900
Del Norte	19,100	San Francisco	744,600
El Dorado	108,000	San Joaquin	431,000
Fresno	584,000	San Luis Obispo	195,100
Glenn	23,000	San Mateo	615,400
Humboldt	113,200	Santa Barbara	338,000
Imperial	108,300	Santa Clara	1,403,300
Inyo	18,000	Santa Cruz	218,100
Kern	490,900	Shasta	132,600
Kings	85,700	Sierra	3,400
Lake	49,000	Siskiyou	42,500
Lassen	24,900	Solano	286,000
Los Angeles	8,292,800	Sonoma	344,800
Madera	78,700	Stanislaus	315,100
Marin	227,300	Sutter	58,800
Mariposa	13,700	Tehama	44,700
Mendocino	74,400	Trinity	13,500
Merced	163,300	Tulare	285,700
Modoc	9,400	Tuolumne	42,300
Mono	9,200	Ventura	615,400
Monterey	336,300	Yolo	125,800
Napa	104,500	Yuba	54,000
Nevada	70,900		
Orange	2,171,200	Sum of Counties	26,980,800

Note: Revisions for prior years available on request.
Source: California Department of Finance, Population Research Unit.

TABLE 4

CIVILIAN LABOR FORCE, CALIFORNIA, 1967–86

(In thousands)

Year and month	Labor force [a]	Employed [b]	Unemployed [c]	Percent unemployed
1967	7,679	7,242	437	5.7
1968	7,792	7,369	423	5.4
1969	7,919	7,508	411	5.2
1970	8,167	7,575	592	7.3
1971	8,407	7,669	739	8.8
1972	8,653	7,996	656	7.6
1973	8,910	8,286	624	7.0
1974	9,317	8,638	679	7.3
1975	9,539	8,598	941	9.9
1976	9,896	8,990	906	9.2
1977	10,367	9,513	853	8.2
1978	10,911	10,137	775	7.1
1979	11,268	10,566	702	6.2
1980	11,584	10,794	790	6.8
1981	11,812	10,938	875	7.4
1982	12,178	10,967	1,210	9.9
1983	12,281	11,095	1,187	9.7
1984	12,610	11,631	980	7.8
1985	12,995	12,061	935	7.2
1986	13,365	12,473	892	6.7
Adjusted for seasonal variation				
1985 January	12,965	12,014	951	7.3
February	12,971	12,082	889	6.9
March	12,966	12,054	912	7.0
April	12,999	12,047	952	7.3
May	12,941	12,010	931	7.2
June	12,920	11,929	991	7.7
July	12,967	12,037	930	7.2
August	12,938	11,999	939	7.3
September	12,976	12,024	952	7.3
October	13,135	12,131	1,004	7.6
November	13,010	12,122	888	6.8
December	13,059	12,188	871	6.7
1986 January	13,040	12,271	769	5.9
February	13,254	12,300	954	7.2
March	13,295	12,384	911	6.9
April	13,284	12,386	898	6.8
May	13,294	12,408	886	6.7
June	13,368	12,492	876	6.6
July	13,425	12,484	941	7.0
August	13,423	12,536	887	6.6
September	13,492	12,623	869	6.4
October	13,491	12,598	893	6.6
November	13,540	12,625	915	6.8
December	13,476	12,569	907	6.7

[a] Detail may not add to total because of rounding.

[b] Includes wage and salary workers, employers, own-account workers, and unpaid family workers. Excludes workers directly involved in work stoppages who receive no pay for the payroll period which includes 12th of the month.

[c] Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.

Source: California Employment Development Department.

TABLE 5

WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS BY MAJOR INDUSTRY DIVISION, CALIFORNIA, 1972–86 [a]

(In thousands)

Year and month	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
1972	7,209.9	29.2	312.4	1,542.7	454.1	1,608.6	409.3	1,361.0	1,492.7
1973	7,621.9	30.5	333.4	1,660.7	467.0	1,703.2	431.6	1,470.6	1,524.8
1974	7,834.3	32.7	317.8	1,701.3	470.7	1,751.9	444.8	1,529.1	1,586.0
1975	7,847.2	33.9	285.9	1,593.7	458.1	1,786.3	446.4	1,572.4	1,670.6
1976	8,154.2	34.7	301.3	1,659.8	463.9	1,875.6	468.7	1,654.6	1,695.6
1977	8,599.7	35.6	350.4	1,737.8	476.5	1,982.4	505.4	1,770.9	1,740.7
1978	9,199.8	37.1	401.9	1,884.6	506.5	2,126.0	553.2	1,937.4	1,753.1
1979	9,664.6	39.3	448.7	2,012.7	534.7	2,223.8	595.9	2,074.6	1,735.0
1980	9,848.8	43.5	428.3	2,018.2	546.3	2,266.9	623.1	2,158.8	1,763.9
1981	9,985.3	49.2	407.6	2,032.3	554.8	2,301.6	642.9	2,240.5	1,756.4
1982	9,810.3	50.4	349.0	1,957.7	542.8	2,275.3	642.4	2,257.7	1,735.2
1983	9,965.8	48.1	369.3	1,949.3	536.9	2,343.9	661.7	2,332.2	1,724.3
1984	10,573.8	50.0	445.2	2,065.5	554.6	2,507.4	694.2	2,509.5	1,747.4
1985	10,979.1	49.9	496.2	2,076.1	560.7	2,626.1	724.5	2,644.6	1,792.1
1986	11,249.2	41.6	527.0	2,052.4	575.8	2,707.6	764.7	2,747.2	1,832.9

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.
Data from interim series on employment prepared by EDD.
Source: California Employment Development Department.

TABLE 6

WAGE AND SALARY WORKERS ° IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1985 AND 1986

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
Anaheim-Santa Ana									
1985	999.1	3.1	50.5	241.9	33.1	249.9	75.8	237.0	107.8
1986	1042.2	2.3	53.6	242.3	34.1	260.8	83.4	254.2	111.5
Bakersfield									
1985	154.3	16.4	9.4	10.3	8.2	39.0	5.8	28.9	36.3
1986	156.2	13.6	9.8	10.2	8.2	40.1	6.3	30.3	37.8
Fresno									
1985	191.5	1.0	11.4	21.1	10.0	49.4	13.2	43.2	42.4
1986	195.5	.7	11.7	20.8	10.3	50.3	13.7	44.4	43.6
Los Angeles-Long Beach									
1985	3,825.1	12.4	120.9	887.1	200.9	894.9	260.9	970.7	477.2
1986	3,913.7	10.9	127.6	886.5	202.7	923.8	274.4	1001.8	485.9
Modesto									
1985	93.5	.1	6.0	20.4	4.4	23.6	4.0	19.7	15.4
1986	98.0	.1	6.2	21.7	4.3	24.5	4.5	20.6	16.1
Oakland									
1985	767.1	2.1	44.8	102.8	50.4	194.4	46.8	171.5	154.3
1986	788.9	2.5	45.0	101.7	54.5	199.1	51.1	177.7	157.3
Oxnard-Ventura									
1985	186.4	3.3	9.4	29.6	7.9	47.5	10.3	39.3	39.1
1986	193.2	3.1	10.4	29.0	9.2	48.9	10.2	42.8	39.8
Riverside-San Bernardino									
1985	524.9	1.3	38.4	69.8	29.4	132.8	21.9	121.5	109.8
1986	561.2	1.2	43.4	74.0	30.6	140.7	23.6	130.8	116.8
Sacramento									
1985	494.5	.9	27.3	35.1	23.8	121.8	28.6	101.5	155.7
1986	518.2	.8	30.4	37.9	23.7	127.2	30.6	107.8	159.7
Salinas-Seaside-Monterey									
1985	100.1	.5	3.8	9.0	4.9	23.9	4.7	24.0	25.8
1986	102.7	.5	4.1	9.4	4.9	27.5	4.9	25.0	26.3
San Diego									
1985	783.9	.8	47.5	121.6	31.6	186.9	52.0	197.9	145.7
1986	821.8	.8	52.0	122.0	32.1	197.6	56.2	211.1	150.0
San Francisco									
1985	917.4	1.9	32.2	80.5	83.5	211.4	112.3	261.4	134.1
1986	922.3	1.1	33.3	77.9	80.3	214.5	114.0	267.3	134.0

TABLE 6—Continued

WAGE AND SALARY WORKERS ° IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1985 AND 1986

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
San Jose									
1985	782.7	.1	33.0	283.0	22.2	149.4	32.0	182.4	80.7
1986	768.4	.2	31.0	265.9	21.3	150.7	33.1	183.6	82.8
Santa Barbara-Santa Maria-Lompoc									
1985	139.2	1.5	6.6	23.7	5.5	33.0	7.5	35.9	25.6
1986	143.9	1.4	6.4	24.1	5.4	34.1	8.0	38.1	26.5
Santa Rosa-Petaluma									
1985	114.4	.6	7.2	18.1	5.7	29.5	7.6	25.0	20.8
1986	117.8	.6	7.9	18.0	5.5	30.8	8.0	25.8	21.3
Stockton									
1985	131.5	.1	7.3	21.5	8.7	30.6	7.8	27.1	28.5
1986	135.0	.1	8.1	21.7	8.6	31.8	8.1	28.1	28.6
Vallejo-Fairfield-Napa									
1985	114.4	.4	7.0	11.1	4.4	27.1	4.5	24.2	35.7
1986	120.8	.3	7.6	12.1	4.5	29.1	4.7	26.3	36.3

° Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

Area definitions:

Anaheim-Santa Ana—Orange County.
Bakersfield—Kern County.
Fresno—Fresno County.
Los Angeles-Long Beach—Los Angeles County.
Modesto—Stanislaus County.
Oakland—Alameda and Contra Costa Counties.
Oxnard-Ventura—Ventura County.
Riverside-San Bernardino—Riverside and San Bernardino Counties.
Sacramento—El Dorado, Placer, Sacramento, and Yolo Counties.
Salinas-Seaside-Monterey—Monterey County.
San Diego—San Diego County.
San Francisco—Marin, San Francisco, and San Mateo Counties.
San Jose—Santa Clara County.
Santa Barbara-Santa Maria-Lompoc—Santa Barbara County.
Santa Rosa-Petaluma—Sonoma County.
Stockton—San Joaquin County.
Vallejo-Fairfield-Napa—Napa and Solano Counties.

Source: California Employment Development Department.

TABLE 7

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–86

(In thousands)

Industry	1981	1982	1983	1984	1985	1986
Total	2,032.3	1,957.7	1,949.3	2,065.5	2076.1	2063.9
Nondurable goods	648.3	628.1	622.0	639.2	635.7	648.2
Durable goods	1,384.0	1,329.6	1,327.3	1,426.3	1440.4	1415.7
Nondurable goods						
Food and kindred products	186.8	182.5	173.4	173.3	169.2	171.3
Canned, cured, frozen sea foods	10.3	9.1	8.9	6.8	5.2	5.5
Meat products	18.9	18.6	16.7	17.1	17.4	17.2
Dairy products	14.7	14.0	13.5	13.0	12.6	12.8
Canned and preserved fruits and vegetables	56.1	55.4	52.0	53.6	51.3	51.8
Grain mill products	8.4	8.3	8.3	8.2	8.0	8.0
Bakery products	19.0	19.2	19.0	19.4	19.4	19.6
Beverages	25.9	26.0	25.4	25.2	25.6	27.0
Other food and kindred products	33.7	31.8	29.7	30.0	29.8	29.5
Textile mill products	13.7	12.4	13.0	13.7	13.9	14.8
Knitting mills	2.5	2.5	2.7	3.3	3.8	4.2
Floor covering mills	5.0	4.0	3.8	4.0	3.9	4.1
Other textile mill products	6.2	5.9	6.4	6.4	6.2	6.5
Apparel and other textile products	107.7	102.4	103.2	108.0	107.2	113.2
Men's and boys' furnishings	13.1	11.9	12.0	11.5	9.6	9.4
Women's and misses' outerwear	64.4	62.6	63.1	67.0	69.3	75.3
Women's and children's undergarments	4.5	4.1	4.0	4.1	3.8	3.8
Children's outerwear	1.8	2.0	2.1	2.3	2.1	2.4
Other apparel and textile products	24.0	21.8	21.9	23.1	22.4	22.3
Paper and allied products	38.5	37.3	37.0	38.7	39.6	39.7
Miscellaneous converted paper products	14.7	15.2	15.2	15.8	15.9	16.0
Paperboard containers and boxes	16.9	15.8	15.5	16.7	17.6	17.4
Other paper and allied products	6.9	6.3	6.3	6.2	6.1	6.3
Printing and publishing	125.1	124.5	128.3	136.5	140.1	143.8
Newspapers	43.2	42.5	43.2	46.4	47.7	48.6
Commercial printing	48.9	48.4	50.7	53.3	54.3	54.9
Other printing and publishing	33.0	33.6	34.5	36.8	38.1	40.3
Chemicals and allied products	68.3	65.7	63.8	64.1	63.7	63.7
Industrial inorganic chemicals	7.6	7.5	7.1	7.4	7.4	7.5
Plastics materials and synthetics	3.5	3.4	3.3	3.3	3.1	2.9
Drugs	19.3	19.4	19.5	19.3	19.0	19.6
Soaps, cleaners, toilet goods	14.5	13.3	12.1	12.4	12.4	12.6
Paints and allied products	7.4	6.7	6.7	7.2	7.5	7.6
Agricultural chemicals	5.3	4.6	4.1	3.9	3.6	3.1
Other chemicals and allied products	10.8	10.9	10.9	10.7	10.8	10.3
Petroleum and coal products	31.0	31.7	31.0	30.0	28.8	27.4
Petroleum refining	27.4	28.2	27.5	26.5	25.7	24.5
Other petroleum and coal products	3.6	3.5	3.6	3.5	3.1	2.9
Rubber and plastics products	65.1	61.2	62.8	66.5	65.7	66.8
Tires and inner tubes	1.5	1.4	1.3	1.3	1.2	1.1
Footwear and fabricated products	10.3	9.7	10.0	10.4	10.0	9.9
Miscellaneous plastics products	52.3	49.1	50.5	54.1	53.6	54.6
Other rubber and plastics products	1.1	1.0	.9	.8	1.0	1.2
Leather and leather products	12.0	10.5	9.5	8.5	7.5	7.3

TABLE 7—Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–86

(In thousands)

Industry	1981	1982	1983	1984	1985	1986
Durable goods						
Lumber and wood products excluding furniture	57.1	46.3	50.6	55.1	56.1	58.7
Logging camps, sawmills, planing mills	21.8	18.1	19.7	20.9	20.5	21.2
Millwork, plywood, structural members	15.2	12.6	14.3	16.9	18.4	20.1
Wooden containers	4.2	3.8	3.7	4.0	4.1	4.4
Other lumber and wood products	15.9	11.9	12.9	13.2	13.0	13.1
Furniture and fixtures	55.0	49.0	51.6	59.2	58.9	58.0
Household furniture	33.6	29.3	31.1	34.9	34.2	33.1
Partitions and fixtures	6.9	6.3	6.8	8.4	8.3	8.2
Other furniture and fixtures	14.5	13.4	13.8	16.0	16.5	16.7
Stone, clay, and glass products	56.7	50.4	48.7	51.6	50.8	52.1
Glass and glass products	17.6	16.3	15.8	15.8	15.1	15.2
Hydraulic cement	3.7	3.7	3.3	3.2	2.9	2.9
Structural clay products	3.2	2.5	2.4	2.3	2.2	2.2
Pottery and related products	6.0	4.7	4.5	4.7	4.1	4.0
Concrete, gypsum, plaster products	16.1	14.0	14.2	16.5	17.2	17.8
Other stone, clay, and glass products	10.1	9.3	8.4	9.1	9.4	10.0
Primary metal industries	54.9	47.6	43.5	42.6	41.6	40.9
Blast furnace and basic steel products	16.1	12.3	9.9	7.7	7.9	7.8
Iron and steel foundries	8.9	8.0	6.5	6.7	6.4	6.1
Nonferrous rolling and drawing	14.6	13.0	13.4	13.7	13.3	12.7
Nonferrous foundries	10.5	9.7	9.7	10.3	10.0	10.3
Other primary metals	4.7	4.5	4.0	4.2	4.1	4.1
Fabricated metal products	152.3	138.8	137.9	146.7	143.5	137.3
Can and shipping containers	9.8	9.1	8.9	8.4	8.3	8.0
Cutlery, hand tools, hardware	15.7	14.5	14.1	15.0	14.3	13.9
Plumbing and heating excluding electric	7.4	6.7	6.7	7.4	7.7	7.9
Fabricated structural products	50.2	45.3	44.5	47.0	45.1	42.1
Screw machine products, bolts, etc.	15.0	12.1	11.4	12.4	12.6	12.2
Forgings and stampings	14.2	13.5	14.2	15.7	15.8	15.7
Metal services	20.0	18.3	18.9	20.3	19.9	19.3
Other fabricated metal products	19.9	19.3	19.2	20.5	19.9	18.2
Machinery excluding electrical	234.5	227.6	223.4	239.2	229.4	212.2
Farm and garden	5.7	5.0	4.7	4.6	4.3	3.6
Construction and related	23.3	20.8	14.1	14.3	13.5	11.5
Metalworking	18.9	16.8	16.3	17.8	17.7	16.5
Special industry	13.4	13.0	12.6	13.7	13.3	12.1
General industry	20.8	19.5	18.3	19.7	19.7	18.3
Office, computing, accounting	98.4	103.9	109.9	117.9	111.4	105.2
Refrigeration and service industry	8.0	8.3	8.4	8.6	9.2	8.8
Other machinery excluding electrical	45.9	40.4	39.2	42.6	40.3	36.2
Electrical equipment and supplies	351.4	358.0	365.4	406.3	413.4	400.1
Electrical distribution equipment	9.3	8.5	8.0	10.7	11.7	11.8
Industrial apparatus	14.3	13.2	12.1	14.4	13.2	11.3
Household appliances	6.2	4.7	4.5	3.9	3.9	3.8
Lighting and wiring equipment	22.3	20.2	20.0	22.0	22.6	22.9
Radio and TV receiving equipment	17.3	14.9	13.5	13.7	13.6	13.5
Communication equipment	146.5	157.2	158.7	167.2	179.1	179.9
Electronic components and accessories	126.1	131.0	139.8	165.3	160.8	148.9
Miscellaneous electrical equipment and supplies	9.5	8.3	8.9	9.2	8.4	8.1

TABLE 7—Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–86

(In thousands)

Industry	1981	1982	1983	1984	1985	1986
Transportation and equipment	278.0	266.3	261.9	277.5	297.3	309.3
Motor vehicles and equipment	35.0	30.6	30.3	33.4	33.6	33.4
Aircraft and parts	147.9	137.3	133.3	141.1	156.7	170.2
Ship and boat building and repairing	22.9	22.4	18.7	18.2	17.5	15.9
Guided missiles, space vehicles and parts	62.7	66.4	69.3	73.8	78.1	79.4
Other transportation equipment	9.5	9.6	10.4	11.1	11.4	10.5
Instruments and related products	102.6	102.4	103.7	110.1	113.9	112.6
Measuring and controlling	48.2	47.6	47.5	51.1	54.1	54.7
Other instruments and related products	54.4	54.8	56.2	59.0	59.8	58.0
Miscellaneous manufacturing	41.5	43.2	40.6	37.9	35.5	34.5
Toys and sporting goods	18.0	21.0	18.3	15.1	13.2	12.2
Other miscellaneous manufacturing	23.6	22.2	22.3	22.9	22.3	22.3

Source: California Employment Development Department.
(Official U.S. Bureau of Labor Statistics series. The text portion of the report and Appendix Table 5 use the interim series prepared by EDD.)

Table 8

AEROSPACE EMPLOYMENT IN CALIFORNIA, 1960–86

(In thousands)

Year and Month [a]	Total Aerospace	Office Computing and Accounting Machines	Radio and TV Receiving Equipment	Communi-cation Equipment	Electronic Components and Accessories	Aircraft and Parts	Guided Missiles and Space Vehicles	Measuring and Controlling Instruments
1960	422.5	23.3	9.9	92.2	29.1	181.4	68.4	18.2
1961	425.8	23.6	10.6	98.8	31.2	166.0	76.2	19.5
1962	457.6	25.4	12.0	112.0	35.4	161.0	89.6	22.1
1963	458.3	25.6	11.9	110.4	34.8	160.1	93.7	21.8
1964	433.5	26.9	11.0	98.1	32.4	153.6	90.8	20.8
1965	434.3	30.2	10.8	95.7	34.9	155.3	86.0	21.4
1966	495.0	33.8	13.7	103.3	47.7	181.3	92.1	23.1
1967	542.4	38.8	15.0	117.6	52.0	198.6	97.4	23.0
1968	544.3	42.7	15.5	117.0	52.4	195.4	96.9	24.6
1969	528.3	53.4	16.7	114.4	57.7	178.3	82.6	25.3
1970	466.3	58.3	15.1	102.9	53.0	148.3	64.5	24.3
1971	409.6	52.3	14.2	91.1	45.9	130.3	52.9	23.0
1972	427.4	52.1	15.0	95.1	52.0	135.4	52.8	25.1
1973	462.8	61.4	100.0	100.0	68.9	135.6	51.0	30.5
1974	485.8	69.7	15.8	102.6	78.5	134.9	51.7	32.7
1975	450.5	63.3	14.9	103.0	65.7	121.3	52.0	30.2
1976	449.6	62.3	16.1	105.4	74.8	108.5	50.0	32.5
1977	465.2	67.0	16.6	108.4	82.3	109.4	48.0	33.5
1978	518.8	80.1	17.8	119.1	97.3	117.5	49.6	37.4
1979	590.6	92.2	18.0	129.6	114.6	140.4	54.0	41.9
1980	632.6	97.9	17.6	137.3	124.2	151.0	58.6	46.0
1981	647.1	98.4	17.3	146.5	126.1	147.9	62.7	48.2
1982	658.3	103.9	14.9	157.2	131.0	137.3	66.4	47.6
1983	672.0	109.9	13.5	158.7	139.8	133.3	69.3	47.5
1984	730.0	117.9	13.7	167.2	165.3	141.1	73.8	51.1
1985	753.7	111.4	13.6	179.1	160.8	156.7	78.1	54.1
1986	751.8	105.2	13.5	179.9	148.9	170.2	79.4	54.7
1986 January	749.4	106.3	13.5	180.9	147.7	166.1	79.8	55.1
February	747.6	106.0	13.6	180.1	148.2	165.2	79.4	55.1
March	748.3	106.3	13.4	180.5	148.7	165.1	79.2	55.1
April	752.6	106.0	13.5	179.8	150.7	169.3	78.6	54.7
May	752.1	106.2	13.6	179.1	150.5	169.5	78.6	54.6
June	752.9	105.2	13.5	180.0	150.9	169.7	79.1	54.5
July	753.7	105.0	13.5	180.2	150.5	170.2	79.5	54.8
August	754.2	104.7	13.6	180.2	149.4	171.7	79.8	54.8
September	753.0	104.2	13.5	179.5	148.9	172.3	80.0	54.6
October	752.7	104.2	13.5	179.2	148.0	173.5	79.8	54.5
November	751.4	104.2	13.4	179.3	146.7	174.3	79.4	54.1
December	753.6	104.2	13.4	179.4	147.1	175.6	79.8	54.1

[a] Data from 1960 through 1971 calculated using aerospace categories as defined by 1972 SIC codes. Data from 1972 through 1980 represent the official benchmarked aerospace series based upon the 1972 SIC codes.

Source: California Employment Development Department.

TABLE 9

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND UNITED STATES, 1960–86 *

Year	California			United States		
	Average weekly earnings	Average hourly earnings	Average hours per week	Average weekly earnings	Average hourly earnings	Average hours per week
1960	$104.28	$2.62	39.8	$89.72	$2.26	39.7
1961	108.53	2.72	39.9	92.34	2.32	39.8
1962	112.44	2.79	40.3	96.15	2.38	40.4
1963	115.78	2.88	40.2	99.22	2.45	40.5
1964	119.29	2.96	40.3	102.97	2.53	40.7
1965	123.83	3.05	40.6	107.53	2.61	41.2
1966	128.93	3.16	40.8	112.34	2.72	41.3
1967	132.92	3.29	40.4	114.49	2.82	40.6
1968	138.63	3.44	40.3	122.51	3.01	40.7
1969	145.89	3.62	40.3	129.51	3.19	40.6
1970	150.48	3.80	39.6	133.33	3.35	39.8
1971	158.79	4.02	39.5	142.44	3.57	39.9
1972	170.43	4.25	40.1	154.71	3.82	40.5
1973	178.93	4.44	40.3	166.46	4.09	40.7
1974	188.97	4.76	39.7	177.20	4.43	40.0
1975	205.67	5.22	39.4	190.30	4.83	39.4
1976	221.92	5.59	39.7	208.80	5.22	40.0
1977	240.60	6.00	40.1	228.50	5.67	40.3
1978	257.84	6.43	40.1	249.27	6.17	40.4
1979	280.50	7.03	39.9	269.34	6.70	40.2
1980	304.15	7.70	39.5	288.62	7.27	39.7
1981	338.98	8.56	39.6	318.00	7.99	39.8
1982	362.21	9.24	39.2	330.26	8.49	38.9
1983	380.80	9.52	40.0	354.08	8.83	40.1
1984	393.73	9.77	40.3	374.03	9.19	40.7
1985	406.82	10.12	40.2	385.97	9.53	40.5
1986	417.91	10.37	40.3	396.01	9.73	40.7

* Averages are based upon data for full-time and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing. Overtime pay and premium wages for late-shift work are included.

n.a.: Not available.

Source: California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 10

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK IN SELECTED NONMANUFACTURING INDUSTRIES, CALIFORNIA, 1986 [a]

Industry	Average weekly earnings	Average hourly earnings	Average hours per week
Mineral extraction			
Oil and gas extraction	$545.66	$13.54	$40.3
Nonmetallic minerals, except fuels	618.23	15.19	40.7
Contract construction			
General building contractors	684.29	19.44	35.2
Heavy construction contractors, except building	707.33	18.42	38.4
Special trade contractors			
Plumbing, heating, air conditioning	718.09	19.62	36.6
Painting, paper hanging, decorating	662.64	20.08	33.0
Electrical work	801.19	20.81	38.5
Masonry, stonework, and plastering	634.76	18.78	33.8
Transportation and utilities			
Electric, gas, and sanitary services	717.41	16.96	42.3
Trade			
Wholesale	440.06	11.43	38.5
Retail (excluding eating/drinking)	297.04	9.40	31.6
Services			
Motion picture production	759.44	20.47	37.1

[a] Averages are based upon data for full-time and part-time production and related workers in mineral extraction, construction workers in construction, and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.
Source: California Employment Development Department

TABLE 11

PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1960–86

Year	Total			Per capita [a]		
	Amount (In millions)	Percent change	Percent of U.S.	Amount	Percent change	Percent of U.S. average
1960	$43,303	–	10.9	$2,729	–	123.1
1961	45,676	5.5	11.0	2,769	1.5	122.3
1962	49,122	7.5	11.2	2,877	3.9	121.4
1963	52,468	6.8	11.3	2,970	3.2	121.0
1964	56,772	8.2	11.5	3,128	5.3	120.7
1965	60,744	6.9	11.3	3,266	4.4	117.8
1966	65,882	8.5	11.3	3,494	7.0	117.2
1967	70,735	7.4	11.3	3,689	5.6	116.7
1968	77,330	9.5	11.3	3,987	8.1	116.2
1969	84,402	9.3	11.3	4,282	7.4	115.3
Revised Data						
1969	88,463		11.5	4,488		117.8
1970	95,072	7.5	7.7	4,748	5.8	117.2
1971	100,923	6.2	7.6	4,960	4.5	115.5
1972	110,266	9.3	9.9	5,357	8.0	114.9
1973	121,698	10.4	12.2	5,832	8.9	112.6
1974	136,092	11.8	10.0	6,428	10.2	113.9
1975	149,504	9.9	8.6	6,942	8.0	114.4
1976	167,393	12.0	10.6	7,631	9.9	114.8
1977	186,735	11.6	10.8	8,355	9.5	114.6
1978	214,423	14.8	12.8	9,388	12.4	115.4
1979	244,168	13.9	12.2	10,500	11.8	116.3
1980	275,801	13.0	11.1	11,590	10.4	117.0
1981	308,221	11.8	11.6	12,702	9.6	116.1
1982	328,028	6.4	5.9	13,235	4.2	115.4
1983	353,949	7.9	6.5	13,984	5.7	115.6
1984	390,909	10.4	9.5	15,155	8.4	115.6
1985	423,566	8.4	6.7	16,065	6.0	115.9
1986 [b]	452,512	6.8	13.0	16,772	4.4	116.0

[a] Per capita figures derived using population estimates of the California Department of Finance.
[b] Estimated.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 12

PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1960–86

(In millions)

Year	Total Personal Income [a]	Wages and salaries	Other labor income	Proprietor		Property income	Transfer payments	Less: Contributions for social insurance	Residence adjustment
				Farm	Other				
1960	$43,303	$29,048	$1,101	$899	$4,168	$6,195	$3,072	$1,085	−$95
1961	45,676	30,619	1,196	814	4,343	6,429	3,529	1,171	−84
1962	49,122	33,063	1,342	914	4,524	6,910	3,728	1,276	−82
1963	52,468	35,434	1,514	859	4,652	7,474	4,085	1,478	−72
1964	56,772	37,991	1,734	1,007	5,054	8,229	4,420	1,591	−72
1965	60,704	40,444	1,918	919	5,276	9,005	4,872	1,711	−19
1966	65,882	44,551	2,126	994	5,476	9,639	5,343	2,227	−20
1967	70,735	47,752	2,281	921	5,704	10,254	6,363	2,525	−18
1968	77,330	52,355	2,654	1,059	6,160	10,759	7,154	2,791	−20
1969	84,402	57,373	3,018	966	6,356	11,789	8,083	3,158	−26
Revised data									
1969	88,463	57,937	3,108	966	8,053	12,494	9,086	3,155	−25
1970	95,072	61,250	3,473	979	8,219	13,520	11,010	3,355	−24
1971	100,923	63,988	3,802	965	8,872	14,244	12,640	3,565	−23
1972	110,266	69,877	4,486	1,393	9,987	15,031	13,690	4,176	−23
1973	121,698	76,916	5,100	2,027	10,853	16,849	15,113	5,137	−23
1974	136,092	84,429	5,903	2,502	11,769	18,977	17,899	5,378	−9
1975	149,504	90,830	7,038	1,941	13,280	19,810	22,264	5,731	72
1976	167,393	100,618	8,515	1,983	16,217	21,722	24,775	6,562	125
1977	186,735	112,536	10,424	2,033	18,093	24,312	26,685	7,373	25
1978	214,423	128,617	12,150	2,318	20,947	29,596	28,888	8,092	−1
1979	244,168	146,649	14,006	3,113	22,695	35,577	31,787	9,664	5
1980	275,801	163,718	16,110	4,051	22,249	42,294	37,232	9,881	29
1981	308,221	182,317	17,710	3,473	21,341	52,028	43,161	11,886	77
1982	328,028	193,330	19,668	3,014	21,382	55,695	47,674	12,826	91
1983	353,949	207,256	21,555	3,197	25,389	59,409	50,932	13,886	98
1984	390,909	229,870	23,341	3,793	29,510	67,538	52,438	15,689	107
1985	423,566	250,769	25,530	3,717	32,746	72,100	56,555	17,942	92
1986 [b]	452,512	269,307	27,618	3,429	35,747	75,793	60,363	19,838	93

[a] Detail may not add to total because of rounding.

[b] Estimated.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 13

DISPOSABLE PERSONAL INCOME, CALIFORNIA, 1960–85

	Disposable Personal Income		Per Capita Disposable Income	
	Amount (In millions)	Percent Change	Amount	Percent Change
1960	$37,637	4.8	$2,372	2.1
1961	39,669	5.4	2,405	1.4
1962	42,533	7.2	2,491	3.6
1963	45,396	6.7	2,569	3.1
1964	49,977	10.1	2,753	7.2
1965	53,454	7.0	2,876	4.5
1966	57,540	7.6	3,051	6.1
1967	61,431	6.8	3,204	5.0
1968	66,235	7.8	3,415	6.6
1969	71,498	7.9	3,627	6.2
Revised basis				
1969	75,604		3,836	
1970	82,607	9.3	4,126	7.6
1971	88,487	7.1	4,349	5.4
1972	94,699	7.0	4,600	5.8
1973	105,737	11.7	5,067	10.2
1974	117,978	11.6	5,572	10.0
1975	131,151	11.2	6,090	9.3
1976	145,202	10.7	6,620	8.7
1977	160,871	10.8	7,198	8.7
1978	184,011	14.4	8,057	11.9
1979	208,104	13.1	8,949	11.1
1980	234,272	12.6	9,845	10.0
1981	262,055	11.9	10,800	9.7
1982	280,232	6.9	11,306	4.7
1983	304,761	8.8	12,040	6.5
1984	336,162	10.3	13,032	8.2
1985	362,007	7.7	13,731	5.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 14

INDUSTRIAL SOURCES OF EARNINGS, CALIFORNIA AND UNITED STATES, 1983–85

(In percent)

Industry	California			United States		
	1983	1984	1985	1983	1984	1985
Total [a]	100.0	100.0	100.0	100.0	100.0	100.0
Farming	2.0	2.0	1.8	1.1	1.7	1.5
Mining	0.9	0.9	0.8	1.8	1.8	1.6
Construction	5.9	6.4	6.5	6.1	6.3	6.3
Manufacturing	20.6	20.4	20.0	22.7	22.6	22.0
Transportation, communication, and public utilities	6.9	6.7	6.5	7.5	7.3	7.2
Trade	16.4	16.3	16.3	16.4	16.2	16.3
Finance, insurance, real estate	6.5	6.4	6.8	6.3	6.2	6.7
Services	23.9	24.7	25.0	21.0	21.5	22.0
Government	16.0	15.5	15.6	16.4	15.9	16.0
Other [b]	0.9	0.8	0.8	0.6	0.5	0.5

[a] Consists of wage and salary disbursements, other labor income and proprietors' income. Detail may not add to total due to rounding.
[b] Agricultural services, forestry, fisheries and other.
Source: Computed by California Department of Finance from data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 15

NUMBER OF PERSONAL INCOME TAX RETURNS, ADJUSTED GROSS INCOME, TAXABLE INCOME, AND TAX ASSESSED, 1960–84

(Income in thousands)

Income Year *	Number of returns	Adjusted gross income	Taxable income	Tax assessed
1960	4,239,099	$31,234,015	$13,337,516	$256,450,535
1961	4,454,831	33,581,594	14,624,977	290,676,930
1962	4,558,688	35,878,383	15,833,652	304,396,656
1963	4,851,770	38,835,003	17,382,196	338,006,936
1964	4,981,588	42,133,398	19,411,712	391,744,625
1965	5,167,529	45,234,006	21,088,900	432,886,449
1966	5,445,732	48,692,542	23,442,015	478,765,378
1967	5,449,456	52,827,614	43,252,693	947,644,969
1968	5,334,038	56,636,453	44,663,419	1,061,700,536
1969	5,586,849	60,874,377	47,983,889	1,088,914,303
1970	5,554,362	63,189,993	49,434,451	1,212,386,611
1971	5,690,817	67,784,603	52,618,643	1,132,505,000
1972	6,972,468	78,371,548	60,904,375	1,691,312,440
1973	7,490,292	85,533,832	66,863,680	1,536,631,957
1974	7,929,997	93,727,065	73,916,530	2,360,763,630
1975	8,124,290	101,597,846	80,476,280	2,758,812,903
1976	8,620,249	115,605,336	91,731,547	3,359,556,988
1977	8,989,797	132,780,576	105,756,245	4,224,600,738
1978	9,448,710	149,103,645	119,658,733	4,174,010,707
1979	10,190,263	169,787,242	136,691,944	5,973,284,386
1980	10,335,674	189,296,755	150,455,416	6,205,907,550
1981	10,661,919	209,941,951	165,129.794	6,774,149,612
1982	10,721,424	224,864,258	175,605,697	7,240,834,538
1983	10,950,080	244,257,464	188,843,755	8,424,613,000
1984	11,630,329	290,103,630	229,858,627	9,817,265,664

* Changes in the Personal Income Tax Law effective with returns for the 1967 income year make prior year information not comparable.
Source: California Franchise Tax Board.

TABLE 16

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1984 INCOME YEAR

County	All Returns—taxable and nontaxable			Joint Returns		
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	Tax Assessed (thousands)
Alameda	514,139	$13,311,215	$19,166	205,947	$35,209	$434,401
Alpine	212	4,203	15,250	107	25,167	94
Amador	8,743	185,340	17,451	5,334	23,987	4,905
Butte	57,622	1,038,201	13,222	30,007	21,332	26,267
Calaveras	8,230	162,433	15,529	4,976	22,076	4,060
Colusa	5,441	99,568	13,728	3,062	19,942	3,245
Contra Costa	293,702	9,017,713	23,383	143,845	39,415	334,932
Del Norte	6,003	91,776	12,213	3,437	19,530	2,087
El Dorado	34,962	746,914	16,759	19,753	25,812	18,605
Fresno	205,862	4,017,570	13,880	104,177	23,222	119,268
Glenn	8,224	144,135	13,703	4,719	20,372	3,839
Humboldt	41,791	792,991	14,024	20,848	24,557	21,935
Imperial	32,818	575,865	12,088	19,541	16,647	15,635
Inyo	7,300	146,752	15,549	3,942	24,640	3,920
Kern	161,200	3,595,788	16,438	86,245	26,796	105,362
Kings	24,224	461,525	14,806	13,766	22,186	12,154
Lake	15,805	286,897	13,839	9,126	20,151	6,556
Lassen	7,636	144,936	16,107	4,498	23,532	3,361
Los Angeles	3,187,827	79,637,894	16,593	1,292,463	29,712	2,925,328
Madera	22,994	429,695	14,399	13,851	21,843	10,713
Marin	102,826	3,612,072	22,609	41,583	42,662	173,372
Mariposa	4,576	82,185	13,841	2,464	21,661	1,882
Mendocino	27,041	513,260	14,677	14,112	23,387	13,486
Merced	49,198	845,573	13,174	26,905	20,255	20,918
Modoc	2,853	45,937	13,413	1,712	19,223	1,098
Mono	3,350	65,407	14,599	1,408	25,558	1,746
Monterey	107,281	2,536,094	16,566	51,535	26,885	87,672
Napa	40,042	1,008,421	19,167	20,154	31,058	33,436
Nevada	23,322	499,399	16,645	13,434	24,311	13,220
Orange	898,694	24,824,129	19,749	410,042	35,495	870,750
Placer	55,011	1,315,906	18,368	30,429	27,709	36,746
Plumas	6,516	128,029	16,212	3,898	23,942	3,016
Riverside	276,277	6,171,269	16,533	147,947	26,259	175,284
Sacramento	352,999	7,929,091	17,386	161,877	29,993	238,303
San Benito	10,685	216,133	14,950	5,581	24,759	5,864
San Bernardino	352,276	7,806,943	17,483	186,425	28,220	203,721
San Diego	793,763	18,979,805	16,998	365,258	29,376	607,711
San Francisco	364,499	8,708,036	16,670	101,594	28,930	374,828
San Joaquin	149,881	3,101,136	15,414	75,964	26,322	93,007
San Luis Obispo	66,449	1,462,109	16,512	33,736	26,812	42,835

TABLE 16—Continued

PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1984 INCOME YEAR

County	All Returns—taxable and nontaxable			Joint Returns		
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	Tax Assessed (thousands)
San Mateo	275,860	8,754,719	22,685	120,007	39,336	368,419
Santa Barbara	133,769	3,442,102	17,773	60,126	31,462	124,658
Santa Clara	622,091	18,830,291	22,390	267,278	39,876	709,207
Santa Cruz	87,279	2,010,745	16,578	38,462	29,030	64,214
Shasta	46,787	1,104,276	14,659	26,535	23,178	23,322
Sierra	1,134	21,158	15,492	656	22,242	524
Siskiyou	15,216	271,234	13,958	8,865	20,744	6,877
Solano	97,441	2,383,141	20,687	51,023	32,744	66,289
Sonoma	137,476	3,293,127	18,329	65,568	30,888	103,270
Stanislaus	110,563	2,168,678	14,588	57,912	23,863	61,530
Sutter	20,303	384,881	14,034	11,362	21,887	10,563
Tehama	13,785	243,624	14,283	8,099	20,947	5,857
Trinity	3,984	69,677	14,333	2,471	20,008	1,468
Tulare	86,601	1,547,934	12,949	49,386	19,837	40,182
Tuolumne	14,766	281,636	14,876	8,387	22,414	6,909
Ventura	225,798	6,016,400	20,254	117,791	33,763	187,115
Yolo	47,047	1,061,390	15,064	21,589	27,618	31,237
Yuba	16,334	253,770	11,906	8,978	18,023	5,456
Unallocated [1]	75,063	1,695,309	14,352	30,963	26,823	54,570
Resident Out-of-State [2]	74,903	1,777,461	13,648	29,093	24,141	74,676
Nonresident	177,996	8,642,582	22,542	101,774	32,575	114,664
Totals:						
58 Counties	10,288,508	$256,881,128	—	4,610,197	—	$8,872,659
All	10,616,470	$268,996,480	$17,623	4,772,027	$30,410	$9,116,569

[1] Unable to determine county of residence from tax returns.
[2] Resident returns filed with out-of-state address.
Source: California Franchise Tax Board.

TABLE 17

CONSUMER PRICE INDEX, UNITED STATES, CALIFORNIA, LOS ANGELES, SAN FRANCISCO, AND SAN DIEGO, 1960–86

(1967 = 100)

Year	United States	California [b]	Los Angeles-Long Beach [c]	San Francisco-Oakland [d]	San Diego [e]
Urban Wage Earners and Clerical Workers (Old Series)					
1960	88.7	88.2	88.5	87.9	—
1961	89.6	89.3	89.6	88.9	—
1962	90.6	90.5	90.6	90.3	—
1963	91.7	91.9	92.0	91.5	—
1964	92.9	93.5	93.7	92.9	—
1965	94.5	95.4	95.7	94.7	95.2
1966	97.2	97.3	97.5	97.1	97.1
1967	100.0	100.0	100.0	100.0	100.0
1968	104.2	104.1	103.9	104.5	104.1
1969	109.8	109.3	108.8	110.2	109.5
1970	116.3	114.9	114.3	115.8	115.3
1971	121.3	119.1	118.5	120.1	119.8
1972	125.3	123.1	122.3	124.3	124.4
1973	133.1	130.2	129.2	131.5	132.5
1974	147.7	143.5	142.5	144.4	147.2
1975	161.2	158.4	157.6	159.1	160.8
1976	170.5	168.3	168.0	168.0	170.7
1977	181.5	180.2	179.6	180.8	180.9
All Urban Consumers [a]					
1978	195.4	194.8	192.8	197.8	200.1
1979	217.4	215.9	213.7	214.6	233.1
1980	246.8	249.4	247.3	247.3	268.5
1981	272.4	276.6	271.4	279.0	304.6
1982	289.1	294.5	287.6	300.0	325.3
1983	298.4	299.3	292.7	302.5	334.6
1984	311.1	314.3	306.1	319.8	354.2
1985	322.2	328.7	320.2	333.1	373.2
1986	328.4	339.1	330.7	343.2	383.7
Revised Urban Wage Earners and Clerical Workers [a]					
1978	195.3	194.3	192.5	197.4	199.5
1979	217.7	216.2	215.1	214.7	230.4
1980	247.0	250.6	250.2	247.2	264.6
1981	272.3	277.9	275.0	278.8	299.3
1982	288.6	295.4	291.1	298.9	320.4
1983	297.4	296.9	293.5	298.9	319.2
1984	307.6	307.5	301.9	315.8	327.9
1985	318.5	320.0	314.8	328.3	337.0
1986	323.4	328.8	323.7	337.2	345.5

[a] A new Consumer Price Index for All Urban Consumers and a revised CPI for Urban Wage Earners and Clerical Workers were introduced January 1978. These series tie to the historical unrevised Urban Wage Earners and Clerical Workers CPI.

[b] Computed by the Department of Industrial Relations, Division of Labor Statistics and Research, as a weighted average of the indexes for the Los Angeles-Long Beach, San Francisco-Oakland, and San Diego metropolitan areas.

[c] Los Angeles and Orange Counties.

[d] Alameda, Contra Costa, Marin, San Francisco, and San Mateo Counties.

[e] San Diego County.

Source: U.S. Department of Labor, Bureau of Labor Statistics and California Department of Industrial Relations.

TABLE 18

CALIFORNIA CASH FARM INCOME, NONCASH INCOME, INVENTORY ADJUSTMENT, PRODUCTION EXPENSES AND INCOME, 1960–85

(In millions of dollars)

Year	Cash Farm Income [a]	Noncash Income [b]	Inventory Adjustment	Gross Farm Income [c]	Production Expense	Net Farm Income
1960	3,271	134	45	3,450	2,476	974
1961	3,317	146	−5	3,458	2,577	881
1962	3,485	143	87	3,715	2,758	957
1963	3,582	146	3	3,731	2,827	904
1964	3,747	149	15	3,911	2,842	1,069
1965	3,803	154	60	4,017	3,043	974
1966	4,188	156	−40	4,304	3,212	1,092
1967	4,096	150	17	4,263	3,297	966
1968	4,452	151	39	4,642	3,474	1,168
1969	4,656	154	−62	4,749	3,661	1,088
1970	4,717	152	−16	4,854	3,828	1,025
1971	5,028	161	21	5,210	4,193	1,017
1972	5,698	171	15	5,884	4,324	1,560
1973	7,401	192	160	7,753	5,197	2,556
1974	8,678	223	162	9,063	6,197	2,866
1975	8,587	265	81	8,933	6,599	2,334
1976	9,214	291	−25	9,479	7,231	2,248
1977	9,623	295	6	9,924	7,584	2,340
1978	10,846	340	−19	11,166	8,536	2,631
1979	13,067	466	208	13,741	10,034	3,707
1980	14,116	581	211	14,907	10,809	4,098
1981	14,205	688	614	15,506	11,476	4,030
1982	14,876	772	−451	15,198	12,061	3,137
1983	13,825	779	−123	14,482	11,745	2,746
1984	15,039	776	276	16,091	12,208	3,883
1985	14,624	690	118	15,432	11,893	3,539

[a] Receipts from marketings plus government payments, other farm income and nonmoney income.
[b] Value of home consumption and gross rental value of farm dwellings.
[c] Net farm income before adjustment plus net change in inventories. May not total due to rounding.
Source: United States Department of Agriculture, Economic Research Service.

TABLE 19

CALIFORNIA CASH FARM INCOME, ALL CROPS, LIVESTOCK AND POULTRY, OTHER FARM INCOME, AND GOVERNMENT PAYMENTS, 1960–85

(In millions of dollars)

Year	Cash Farm Income [a]	All Crops	Livestock and Poultry	Other Farm Related Income [b]	Government Payments
1960	3,271	1,976	1,246	27	22
1961	3,317	1,985	1,278	26	28
1962	3,485	2,081	1,344	28	32
1963	3,582	2,170	1,350	30	32
1964	3,747	2,369	1,309	35	34
1965	3,803	2,295	1,427	40	41
1966	4,188	2,477	1,565	42	104
1967	4,096	2,374	1,564	48	110
1968	4,452	2,679	1,621	51	101
1969	4,656	2,711	1,768	54	123
1970	4,717	2,718	1,815	52	132
1971	5,028	2,980	1,876	59	113
1972	5,698	3,430	2,086	60	122
1973	7,401	4,659	2,563	73	106
1974	8,678	5,796	2,786	78	18
1975	8,587	5,674	2,800	97	16
1976	9,214	6,173	2,923	105	13
1977	9,623	6,495	2,947	106	75
1978	10,846	7,302	3,381	107	57
1979	13,067	8,658	4,227	122	61
1980	14,116	9,899	4,089	115	14
1981	14,205	9,839	4,219	124	23
1982	14,876	10,094	4,393	255	135
1983	13,825	9,023	4,213	237	353
1984	15,039	9,944	4,529	231	335
1985	14,624	9,805	4,165	352	302

[a] Receipts from marketings plus government payments and other farm income (may not total due to rounding).

[b] Includes forest product sales, recreational income and other farm business related income. Estimates for 1982 and later include income from custom feeding services.

Source: United States Department of Agriculture, Economic Research Service.

TABLE 20

CALIFORNIA CASH FARM RECEIPTS FROM CROPS, 1960–85

(In millions of dollars)

Year	All Crops *	Fruits and Nuts	Vegetables	Field Crops	Nursery Products
1960	1,976	586	448	830	112
1961	1,985	587	475	804	119
1962	2,081	601	522	826	132
1963	2,170	647	505	879	139
1964	2,369	724	563	917	165
1965	2,295	631	594	900	170
1966	2,477	712	690	893	182
1967	2,374	666	713	807	188
1968	2,679	786	855	842	196
1969	2,711	848	782	864	217
1970	2,718	824	771	889	234
1971	2,980	935	915	884	246
1972	3,430	1,018	1,050	1,071	291
1973	4,659	1,554	1,191	1,549	365
1974	5,796	1,503	1,490	2,382	421
1975	5,674	1,507	1,633	2,064	470
1976	6,173	1,608	1,589	2,427	549
1977	6,495	2,017	1,889	2,001	588
1978	7,302	2,555	2,125	1,957	665
1979	8,658	3,151	2,232	2,470	805
1980	9,899	3,252	2,557	3,184	906
1981	9,839	3,182	2,846	2,871	940
1982	10,094	3,416	2,734	3,000	944
1983	9,023	2,424	3,063	2,519	1,017
1984	9,944	2,935	3,195	2,569	1,245
1985	9,805	2,910	3,058	2,520	1,317

Source: United States Department of Agriculture, Economic Research Service.

TABLE 21

AGRICULTURAL EMPLOYMENT IN CALIFORNIA, 1972–86

Year	Total Wage and Salary Employment	Agricultural Production	Agricultural Services [a]
1972	268.1	208.3	59.8
1973	288.9	222.4	66.6
1974	308.1	236.9	71.2
1975	315.7	243.7	72.0
1976	323.5	248.2	75.3
1977	314.7	241.7	72.9
1978	323.9	245.1	78.9
1979	338.6	253.6	85.0
1980	352.3	261.9	90.3
1981	354.4	258.6	95.8
1982	358.9	260.7	98.3
1983	347.3	250.3	97.1
1984	347.3	248.6	98.7
1985	335.4	232.7	102.7
1986	322.9	220.7	102.2
1986 January	257.2	181.8	75.4
February	248.6	174.0	74.6
March	265.1	185.9	79.2
April	313.6	215.4	98.2
May	362.7	242.3	120.4
June	381.1	253.0	128.1
July	364.3	249.8	114.5
August	383.5	261.3	122.2
September	426.0	296.6	129.4
October	324.1	218.8	105.3
November	277.7	187.7	90.0
December	271.3	181.9	89.4

[a] Agricultural services includes forestry and fishing, but excludes veterinary, other animal, and landscape and horticultural services.

Source: California Employment Development Department (Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by EDD.)

TABLE 22

CORPORATE INCOME REPORTED FOR STATE TAXATION, 1960–84

Year [b]	Number of Corporations [a]				Income Reported for State Taxation (in millions)		
	Total	With net income	With net loss	No income or loss	Total	Net income [c]	Net loss [d]
1960	101,081	56,987	28,843	15,351	$3,517	$4,182	$−665
1961	105,645	59,746	31,802	14,097	3,718	4,509	−792
1962	110,294	63,400	31,954	14,940	3,970	4,754	−784
1963	114,667	66,496	33,667	14,504	4,283	5,092	−809
1964	118,860	69,555	34,254	15,051	4,626	5,526	−900
1965	122,399	71,484	35,625	15,290	5,126	6,007	−881
1966	124,690	73,076	35,664	15,950	5,643	6,638	−995
1967	125,677	73,433	38,188	14,056	5,252	6,456	−1,203
1968	128,505	77,238	36,754	14,513	6,003	7,255	−1,251
1969	136,695	80,348	38,627	17,720	5,643	7,477	−1,834
1970	145,352	81,340	44,318	19,694	4,386	6,711	−2,326
1971	151,216	83,664	47,621	19,931	4,804	7,249	−2,445
1972	158,932	91,055	47,214	20,663	6,465	8,561	−2,096
1973	165,676	97,377	46,937	21,362	7,911	10,208	−2,296
1974	172,185	102,680	49,962	19,543	8,978	11,734	−2,757
1975	177,665	106,213	53,965	17,487	8,362	11,672	−3,309
1976	184,326	113,614	54,249	16,463	11,916	14,808	−2,892
1977	200,393	124,175	57,949	18,269	14,941	17,830	−2,889
1978	221,527	138,495	63,725	19,307	18,728	21,974	−3,246
1979	248,188	154,468	72,343	21,377	20,735	24,826	−4,091
1980	275,493	165,183	86,482	23,828	20,654	25,825	−5,171
1981	299,215	172,122	101,398	25,695	16,367	24,214	−7,847
1982	326,264	175,054	120,964	30,246	10,745	22,828	−12,083
1983	337,165	184,408	125,149	27,614	16,485	26,628	−10,143
1984	397,854	208,566	149,831	39,456	19,349	31,742	−12,393

[a] Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205 corporations, or 0.5 percent of the total.

[b] Includes corporations with fiscal years ending in the calendar year shown.

[c] Income of all corporations reporting net income.

[d] Income of all corporations reporting net loss.

Source: California Franchise Tax Board.

TABLE 23

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1983 AND 1984

(Income in thousands)

Industry	1983 Taxable Year				1984 Taxable Year			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
	Number	Net income	Number	Net income - net loss	Number	Net income	Number	Net income - net loss
Agriculture, forestry, and fishery	3,747	$180,523	6,767	($314,459)	3,694	$244,174	8,274	($232,993)
Mining	800	$2,314,934	2,314	$2,005,206	778	$2,113,039	2,464	$1,773,877
Crude petroleum and natural gas production	747	2,045,857	1,895	2,023,011	722	2,045,857	1,924	1,762,837
Other mining and quarrying	53	29,064	419	−17,805	56	67,182	540	11,040
Construction	13,539	$886,149	26,696	$496,571	15,104	$1,116,371	31,825	$494,239
Manufacturing	18,754	$8,655,082	33,524	$5,776,886	21,815	$11,217,138	40,259	$8,026,606
Beverages, food, and kindred products	988	1,103,173	1,825	972,625	1,197	1,244,445	2,172	922,383
Textile-mill products	106	18,475	263	−10,927	112	36,059	353	−692
Apparel and products made from fabric	992	294,258	1,512	278,002	765	195,805	1,543	112,766
Wood products, except furniture	373	144,543	893	133,831	502	239,469	976	201,284
Furniture and fixtures	732	196,093	1,304	164,659	818	227,896	1,473	188,011
Paper and allied products	368	80,012	578	63,729	443	163,616	684	160,160
Printing, publishing, and allied industries	3,040	709,801	4,653	638,797	3,604	872,983	5,884	703,850
Chemicals and allied products	1,286	817,034	2,120	590,056	1,409	1,032,335	2,797	921,009
Petroleum, coal, and rubber products	315	33,467	422	−90,176	439	54,196	620	−106,419
Stone, clay, and glass products	580	237,290	1,050	198,875	500	306,595	1,093	230,022
Primary metals	216	107,629	688	−352,102	496	126,453	863	−47,769
Electrical machinery and equipment	1,624	1,928,274	3,716	1,221,178	2,367	2,882,743	5,161	2,027,699
Transportation equipment	494	1,293,537	1,122	1,126,489	625	1,846,525	1,520	1,603,709
Other equipment	2,244	223,070	3,604	9,510	2,352	359,528	4,074	137,832
Precision equipment	582	183,231	1,105	105,938	774	303,336	1,490	154,321
Other fabricated metal products	2,406	681,119	4,593	313,602	3,113	635,064	4,911	512,943
Other manufacturing	2,408	604,076	4,076	413,100	2,299	690,090	4,645	305,497

TABLE 23—Continued

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1983 AND 1984

(Income in thousands)

Industry	1983 Taxable Year				1984 Taxable Year			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
	Number	Net income	Number	Net income - net loss	Number	Net income	Number	Net income - net loss
Services	73,820	$2,499,694	125,800	$1,125,053	82,236	$3,141,180	149,503	$948,942
Motion picture production	4,322	265,212	7,446	165,350	5,268	134,752	9,661	−259,280
Amusement services	3,230	194,145	6,404	100,598	3,696	212,691	7,537	−1,285
Personal services	2,340	75,901	4,212	31,305	2,389	53,250	5,209	18,329
Business services	23,294	865,494	40,733	98,290	26,028	1,260,033	55,205	307,069
Professional services	27,716	335,950	38,012	218,389	31,146	508,692	42,767	398,011
Other services	12,918	762,992	28,993	511,121	13,709	971,762	29,124	486,098
Trade	43,528	$4,634,244	78,401	$2,698,157	49,538	$6,796,504	91,612	$4,641,367
Retail trade	24,545	2,144,936	44,364	1,371,680	26,826	3,491,950	50,895	2,435,484
Wholesale trade	18,983	2,489,308	34,037	1,326,477	22,712	3,304,554	40,717	2,205,883
Finance, insurance, and real estate	26,378	$3,581,405	55,130	$1,199,686	30,791	$4,160,038	64,410	$1,461,607
Banks	332	1,037,129	439	998,059	291	786,583	416	760,960
Savings and loan associations	349	184,681	933	−330,231	583	678,124	1,025	−56,814
Real estate companies	18,074	1,353,379	38,888	177,627	21,194	1,967,980	45,597	869,506
Investment and insurance companies	7,623	1,006,216	14,870	354,231	8,723	727,351	17,372	−112,045
Utilities	3,842	$3,876,267	8,533	$3,498,159	4,610	$2,953,417	9,507	$2,234,913
Transportation	2,882	897,359	5,489	672,086	3,227	965,997	6,232	481,003
Communications	59	856,653	216	821,889	114	112,254	479	69,435
Radio and television industries	319	222,346	686	181,350	333	232,607	640	193,974
Electric and gas utilities	5	1,737,872	57	1,737,857	5	1,403,862	65	1,388,977
Other public utilities	577	162,037	2,085	84,977	931	238,697	2,091	101,524
Total	184,408	$26,628,298	337,165	$16,485,259	208,566	$31,741,861	397,854	$19,348,558

Source: California Franchise Tax Board

TABLE 24

CALIFORNIA BUILDING PERMIT ACTIVITY: NONRESIDENTIAL VALUATION BY SELECTED TYPES OF CONSTRUCTION, 1963–86

(In thousands of dollars)

Year	Commercial	Industrial	Other	Additions and alterations	Total [b]
1963	734,878	198,932	708,507	280,024	1,922,338
1964	749,998	184,849	805,449	261,022	2,001,317
1965	845,483	207,844	656,461	286,488	1,996,275
1966	829,974	255,348	706,425	307,759	2,099,504
1967	728,496	283,612	601,256	268,139	1,881,503
1968	869,419	367,027	651,423	271,259	2,159,126
1969	1,016,925	395,697	666,768	452,097	2,531,490
1970	1,089,054	288,077	674,969	491,669	2,543,764
1971	1,401,364	326,049	978,580	263,473	2,969,469
1972	1,437,511	464,702	865,306	281,118	3,048,634
1973	1,349,105	717,549	826,827	337,156	3,230,637
1974	1,260,018	736,532	902,675	359,502	3,258,723
1975	1,296,132	491,032	952,261	366,794	3,106,221
1976	1,327,749	629,515	1,067,335	443,049	3,467,649
1977	1,890,490	1,093,685	1,229,912	498,550	4,712,638
1978	2,477,474	1,556,132	1,318,691	606,069	5,958,365
1979	3,377,019	1,812,478	1,383,480	721,923	7,294,901
1980 [a]	3,274,077	1,276,735	1,202,941	1,716,358	7,470,107
1981	4,034,262	1,484,012	1,308,222	2,079,349	8,905,843
1982	4,176,487	1,051,366	1,401,367	2,100,651	8,729,875
1983	4,456,644	1,312,567	1,478,114	2,663,477	9,910,801
1984	5,644,100	2,020,400	1,560,600	2,743,500	11,968,600
1985	6,235,954	1,956,566	1,800,293	3,324,965	13,317,778
1986	5,742,452	2,134,394	1,887,069	3,401,499	13,165,415

[a] Prior to 1980 all additions and alterations of $100,000 or over were recorded as new construction in either the commercial, industrial or other category.
[b] Parts may not add to total due to rounding.
Source: Security Pacific National Bank.

TABLE 25

RESIDENTIAL HOUSING UNITS AUTHORIZED BY PERMITS, CALIFORNIA, 1963–86

Year	Single	Multiple	Total	Additions and Alterations Valuation (Millions)	Total Residential Valuation (Millions)
1963	131,544	190,472	322,016	$264	$4,066
1964	112,977	155,430	268,407	285	3,742
1965	95,156	82,426	177,582	280	2,910
1966	65,405	33,967	99,372	259	1,926
1967	68,417	43,575	111,992	260	2,108
1968	86,957	73,022	159,979	268	2,838
1969	80,134	104,211	184,345	267	3,148
1970	71,344	124,348	195,692	271	3,177
1971	113,260	143,729	256,989	303	4,529
1972	124,064	155,606	279,670	330	5,390
1973	102,571	113,508	216,079	350	4,883
1974	76,204	53,025	129,229	434	3,687
1975	89,823	41,909	131,732	529	4,541
1976	140,293	81,647	221,940	659	8,023
1977	174,874	95,766	270,640	840	10,494
1978	141,537	102,268	243,805	947	10,604
1979	127,499	82,577	210,076	1,103	10,791
1980	86,632	58,355	144,987	1,234	9,098
1981	59,973	44,900	104,873	1,235	7,520
1982	49,852	34,521	84,373	1,242	6,179
1983	99,299	69,059	168,358	1,493	11,511
1984	107,346	110,661	218,007	1,567	14,514
1985	109,809	153,873	263,682	1,683	17,599
1986	141,800	159,486	301,286	1,861	22,206

Source: Security Pacific National Bank

TABLE 26

TAXABLE TRANSACTIONS IN CALIFORNIA AND OUTSTANDING SALES TAX PERMITS, BY TYPE OF OUTLET, 1960–86

Calendar Year	Taxable Transactions		Sales Tax Permits Outstanding [a]			
	All Outlets (In millions)	Retail Stores (In millions)	Total	Retail [b] Stores	Personal Service Shops	Other [c]
1960	$23,361	$15,645	346,706	150,512	58,997	137,197
1961	23,987	16,077	351,540	148,899	59,516	143,125
1962	25,969	17,522	355,403	151,769	57,591	146,043
1963	27,892	18,893	362,614	154,517	57,105	150,992
1964	30,265	20,550	372,387	157,344	56,749	158,294
1965	31,908	21,516	381,203	161,109	56,002	164,092
1966	34,236	22,624	389,867	163,087	55,326	171,454
1967	35,122	23,512	392,705	163,821	54,624	174,260
1968	39,007	26,168	401,980	165,285	54,993	181,702
1969	42,378	28,254	411,375	167,887	55,066	188,422
1970	43,223	28,699	426,766	171,094	56,173	199,499
1971	46,815	31,496	440,935	173,343	57,359	210,233
1972	53,714	36,518	459,616	177,261	58,815	233,540
1973	61,738	42,119	474,733	180,330	59,943	234,460
1974	68,071	45,797	492,937	182,570	60,918	249,449
1975	73,476	49,800	520,499	187,399	62,951	270,149
1976	83,822	57,343	552,162	193,925	65,868	292,369
1977	99,482	67,491	583,704	200,452	69,271	313,981
1978	113,468	76,366	611,397	206,951	72,003	332,443
1979	131,678	87,270	642,152	212,804	75,185	354,163
1980	142,759	94,211	673,679	218,945	78,272	376,462
1981	155,127	101,666	698,080	223,201	79,952	394,927
1982	154,553	102,009	740,577	230,023	83,223	427,331
1983	169,413	113,350	764,815	233,522	85,697	445,596
1984	194,014	126,736	783,718	240,108	88,839	454,771
1985	208,574	135,901	808,549	246,878	92,465	469,206
1986	217,465	141,880	841,630	258,248	96,886	486,496

[a] Permits as of July 1.
[b] Exclusive of itinerant and mail-order vendors.
[c] Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors.
n.a.: Not available.
Source: California State Board of Equalization.

TABLE 27

TAXABLE TRANSACTIONS IN CALIFORNIA BY TYPE OF BUSINESS, 1981–86

(Amounts in millions)

	1981	1982	1983	1984	1985	1986 [d]
Total, all outlets	$155,127	$154,553	$169,413	$194,014	$208,574	$217,465
Retail stores	101,666	102,009	113,350	126,736	135,901	141,880
Apparel stores	5,342	5,318	5,565	6,10	6,532	7,089
General merchandise and drug stores [a]	16,111	16,496	18,222	20,277	21,867	23,099
Specialty stores	10,276	11,214	12,813	14,642	15,636	16,298
Grocery stores [b]	9,545	10,302	11,018	11,832	12,490	12,810
Liquor stores	2,060	1,984	1,962	1,936	1,892	1,894
Eating and drinking places	12,614	13,338	14,533	16,038	17,221	18,182
Home furnishings and appliance stores	4,667	4,721	5,467	6,238	6,676	7,280
Farm and garden	2,361	2,115	2,239	2,504	2,545	2,649
Building materials	5,759	5,365	6,941	8,191	9,084	10,265
New car dealers	12,233	12,722	15,936	19,272	21,743	24,256
Automotive group [c]	20,697	18,433	18,654	19,699	20,215	18,058
Other						
Business and personal services	5,833	6,025	6,851	7,981	8,807	9,520
All other outlets	47,627	46,519	49,212	59,296	63,866	66,066

[a] Excludes exempt sales of prescription medicines.
[b] Excludes exempt sales of food for home consumption.
[c] Excludes new car dealers.
[d] Numbers independently rounded.
Source: California Board of Equalization.

TABLE 28

DEMAND AND TIME DEPOSITS, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–86

(Amounts in millions)

Year [a]	Demand Deposits [b]	Time and Savings Deposits [c]
1960	$12,954	$11,385
1961	14,232	12,851
1962	14,426	14,593
1963	14,939	16,042
1964	15,683	17,983
1965	15,232	20,109
1966	15,671	21,614
1967	17,492	23,762
1968	19,003	26,418
1969	19,989	23,513
1970	20,713	28,636
1971	22,463	33,699
1972	26,607	37,461
1973	28,060	42,789
1974	27,916	51,268
1975	30,682	54,635
1976	32,119	56,775
1977	37,516	63,494
1978	40,897	72,462
1979	44,951	77,008
1980	44,976	92,361
1981	42,675	109,633
1982	40,531	124,743
1983	45,544	133,137
1984	47,962	135,696
1985	54,449	139,017
1986	84,807	123,153

[a] As of December call reports, not seasonally adjusted.
[b] For 1986 and thereafter includes total transaction accounts.
[c] For 1986 and thereafter includes total non-transaction accounts.
Source: Federal Deposit Insurance Corporation.

TABLE 29

GROSS LOANS BY MAJOR CATEGORIES, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–86

(Amounts in millions)

Year [a]	Real estate loans	Commercial and industrial loans	Agricultural loans	Loans to individuals	Other	Total
1960	$5,181	$4,762	$509	$2,648	$1,223	$14,323
1961	5,358	5,122	592	2,769	1,313	15,154
1962	6,153	5,668	636	3,151	1,697	17,305
1963	7,027	6,009	716	3,634	2,376	19,762
1964	7,512	7,081	659	4,208	2,594	22,056
1965	7,974	8,284	748	4,686	2,661	24,353
1966	8,268	9,318	776	4,924	2,665	25,951
1967	8,485	10,112	803	5,126	2,697	27,223
1968	9,230	11,631	823	5,793	3,447	30,924
1969	9,545	12,276	866	6,045	3,706	32,439
1970	9,592	12,965	855	5,903	3,147	32,463
1971	10,871	13,682	990	6,659	4,193	36,395
1972	12,784	15,145	1,255	7,808	6,034	43,027
1973	15,607	18,831	1,559	8,846	7,056	51,899
1974	17,063	21,334	1,584	9,363	7,589	56,934
1975	16,724	20,156	1,614	10,023	7,121	55,637
1976	18,433	19,473	1,860	11,609	8,136	59,511
1977	23,648	21,635	2,019	14,637	8,470	70,409
1978	30,820	25,355	2,292	18,206	9,185	85,858
1979	39,088	30,260	2,655	22,080	8,741	102,824
1980	46,504	33,895	2,848	22,049	8,069	113,365
1981	52,291	39,502	3,345	21,982	11,780	128,900
1982	53,674	46,275	3,763	22,034	15,123	140,876
1983	54,448	48,845	4,136	23,900	18,140	149,469
1984	57,728	49,011	3,935	28,814	14,946	154,434
1985	61,602	49,297	3,377	33,455	16,768	164,499
1986	64,231	53,319	2,686	33,441	17,836	171,513

Note: Individual figures may not add to totals due to rounding.
[a] As of December call reports except as noted.
Source: Federal Reserve Bank of San Francisco and Federal Deposit Insurance Corporation.

TABLE 30

LOANS AND SAVINGS CAPITAL, CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS,[a] 1960–86

(In millions)

Year	Mortgage Loans Closed During the Year	End of Year Mortgage Loans Outstanding	End of Year Savings Capital	Net New Savings During the Year[b]
1960	$2,955	$9,141	$8,885	n.a.
1961	4,147	11,241	10,778	n.a.
1962	5,590	13,941	13,339	n.a.
1963	7,691	17,677	16,536	n.a.
1964	7,137	20,529	19,300	n.a.
1965	5,825	22,176	20,993	n.a.
1966	2,953	22,477	21,215	$−610
1967	3,641	23,558	23,469	1,360
1968	3,914	25,154	24,283	−122
1969	3,845	26,780	23,889	−1,395
1970	3,517	28,250	25,040	115
1971	6,576	31,907	30,054	3,776
1972	8,809	37,199	35,660	4,114
1973	7,735	41,113	37,836	476
1974	6,413	43,758	39,359	−349
1975	10,689	49,100	47,147	5,565
1976	17,903	58,553	57,102	7,218
1977	24,888	70,734	66,918	6,480
1978	24,391	80,765	74,896	4,180
1979	25,574	92,512	84,166	4,814
1980	16,074	98,196	89,693	106
1981	10,504	107,866	96,163[c]	−5,815
1982	14,082	105,927	108,712[c]	1,281
1983	42,594	132,297	147,857[c]	29,205
1984	54,120	166,477	188,761[c]	28,457
1984	56,024[d]	159,562[e]	189,788[c]	28,355
1985	56,444[d]	173,076[e]	199,907[c]	−4,056
1986[p]	84,933[d]	183,566[e]	218,136[c]	6,090

[a] Insured (FSLIC) California savings institutions that are members of the Federal Home Loan Bank of San Francisco. For the periods covered by this table, these institutions have accounted for at least 99.5% of California savings institution assets. Since 1976 all California institutions are included.

[b] New savings received less withdrawals excludes interest credited to savings accounts.

[c] Includes data from branch offices outside of California.

[d] Not comparable to data reported through 1984, due to a change in reporting. When a loan is refinanced at the same institution that held the original loan, the total amount of the refinanced loan is reported. Formerly, only the net amount of additional financing was included.

[e] Not comparable to data reported through 1984 due to a change in reporting. Includes certain government-insured mortgages that were formerly excluded and excludes loans in process that were formerly included.

[p] Preliminary.

Source: Federal Home Loan Bank of San Francisco.

TABLE 31

SELECTED DATA ON FEDERALLY CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–85 [a]

(Dollar amounts in thousands)

Year [b]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding
1960	1014	787,450	$383,723	$340,165	$313,245
1961	1056	852,214	441,302	393,828	347,402
1962	1081	927,654	511,824	453,316	409,969
1963	1106	1,015,808	601,294	533,445	473,297
1964	1128	1,102,380	699,250	618,385	550,150
1965	1142	1,192,932	785,707	693,993	636,454
1966	1185	1,309,746	861,285	753,300	718,046
1967	1209	1,407,640	946,456	834,393	768,772
1968	1225	1,492,051	1,055,097	923,136	883,881
1969	1255	1,585,602	1,191,712	1,034,749	1,024,828
1970	1249	1,181,164	1,360,754	1,181,164	1,109,716
1971	1225	1,746,653	1,626,494	1,436,952	1,267,686
1972	1232	1,871,287	1,928,350	1,715,276	1,471,791
1973	1239	2,045,500	2,272,202	1,987,138	1,758,048
1974	1230	2,282,543	2,737,187	2,367,268	2,106,113
1975	1208	2,445,115	3,403,739	2,994,889	2,498,064
1976	1189	2,683,441	4,185,397	3,668,616	3,150,913
1977	1164	2,995,904	5,374,256	4,613,661	4,119,205
1978	1143	3,421,378	6,374,125	5,408,209	5,110,916
1979	1108	3,682,794	6,616,630	5,737,523	4,994,833
1980	1057	3,968,900	6,950,809	6,286,440	4,410,825
1981	980	4,159,003	6,826,930	6,158,178	4,365,916
1982	906	4,446,793	7,275,638	6,631,732	4,420,910
1983	850	3,975,086	8,684,128	7,999,116	5,202,513
1984	814	3,990,110	10,847,424	9,533,799	6,448,805
1985	790	5,967,495	16,205,219	15,214,141	10,499,988

[a] Regulated by the National Credit Union Administration.
[b] As of December 31st.
Source: California Department of Corporations.

TABLE 32

SELECTED DATA ON STATE CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–85

(Dollar amounts in thousands)

Year [a]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding	Real estate loans outstanding
1960	568	573,548	$304,885	$263,793	$266,374	$41,676
1961	573	630,121	350,725	308,711	296,058	44,724
1962	578	675,287	396,343	343,890	340,125	47,736
1963	582	709,911	448,963	394,587	382,766	44,573
1964	597	788,816	513,302	449,214	437,040	53,971
1965	587	828,389	577,007	496,601	500,689	54,874
1966	623	889,636	639,154	549,351	568,782	64,561
1967	636	955,166	712,321	617,575	613,189	64,600
1968	626	1,006,190	795,758	684,727	696,891	83,837
1969	623	1,077,259	891,033	772,482	788,420	94,154
1970	631	1,139,372	998,764	868,721	858,839	101,161
1971	599	1,182,550	1,152,210	1,004,478	976,271	102,925
1972	590	1,248,463	1,330,711	1,160,215	1,105,569	110,489
1973	596	1,296,105	1,511,003	1,316,539	1,287,143	146,789
1974	591	1,312,193	1,615,949	1,420,664	1,396,985	185,955
1975	587	1,341,288	1,935,507	1,710,369	1,621,089	224,553
1976	576	1,503,437	2,232,994	2,057,351	1,991,402	297,474
1977	556	1,601,603	2,851,789	2,504,181	2,453,162	408,251
1978	534	1,678,279	3,261,776	2,842,131	2,903,915	607,752
1979	493	1,825,160	3,535,214	2,877,833	3,065,665	598,067
1980	478	1,973,513	3,798,533	3,189,679	2,977,642	615,902
1981	450	1,975,104	3,794,317	3,221,836	3,011,722	655,907
1982	417	1,921,032	3,788,929	3,351,392	2,710,921	607,421
1983	397	2,040,746	4,761,669	4,258,249	3,286,588	650,527
1984	376	2,010,832	5,439,894	4,885,542	4,088,618	855,287
1985	360	2,074,771	6,384,522	5,854,804	4,568,946	983,565

[a] As of December 31st.

Source: California Department of Corporations. Report of State Chartered Credit Unions.

TABLE 33

SELECTED DATA ON FINANCE COMPANIES IN CALIFORNIA, 1971–85 [a]

(Dollar amounts in thousands)

Year [b]	Number of loans made	Total principal amount of loans made	Consumer loans under $10,000 and commercial loans under $5,000		Consumer loans of $10,000 or more and commercial loans of $5,000 or more
			Secured by personal property	Secured by personal property and real property	
1971	1,170,013	$1,897,472	$1,153,541	$54,150	$689,781
1972	1,210,311	1,973,792	1,268,113	62,418	643,261
1973	1,202,884	2,424,236	1,344,871	90,028	989,337
1974	1,024,276	2,403,516	1,212,864	111,590	1,079,062
1975	883,047	2,234,827	1,114,707	156,257	963,863
1976	995,459	2,756,599	1,287,307	212,665	1,256,627
1977	1,073,690	3,047,796	1,393,534	224,676	1,429,586
1978	1,141,163	3,562,541	1,530,849	189,625	1,842,064
1979	1,097,742	5,265,756	1,408,269	182,030	3,675,457
1980	644,632	3,925,512	857,357	187,819	2,880,336
1981	424,672	4,754,757	532,610	203,507	4,018,640
1982	372,192	4,034,562	556,396	125,110	3,353,056
1983	462,319	5,946,563	790,603	104,839	5,051,121

	Number of loans made	Total principal amount of loans made	Consumer and commercial loans over $5,000		Consumer loans under $5,000
			Secured by personal property	Secured by personal property and/or real property	
1984 [c]	713,094	$9,871,291	$5,403,132	$3,388,735	$1,079,424
1985	939,829	10,772,085,441	2,749,886,934	7,319,780,572	1,253,371,427

[a] Finance companies are licensed under the Personal Property Brokers Law, the Consumer Finance Lender Law, and/or the Commercial Finance Lenders Law

[b] Data refers to loans made during each year.

[c] In 1984 the categories for reporting loans changed due to changes in regulations about types of security.

Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 34

SELECTED DATA ON INDUSTRIAL LOAN COMPANIES IN CALIFORNIA, 1971–85 [a]

(Dollar amounts in thousands)

Year	Total asset [b]	Investment certificates [c]	Consumer loans		Commercial loans		Premium finance agencies	
			Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]
1971	$456,632	$307,393	170,330	$328,597 [d]	—	—	75,242	$66,540
1972	523,969	344,209	199,737	381,595 [d]	—	—	78,681	75,623
1973	542,939	381,150	189,278	358,728 [d]	—	—	79,893	80,971
1974	560,343	420,069	179,473	351,119	1,359	$17,987	81,645	86,655
1975	613,119	475,922	166,339	361,887	1,453	20,651	79,804	107,310
1976	687,399	537,212	202,104	428,453	25,467	106,897	19,057	43,303
1977	772,406	608,832	209,259	451,880	28,277	144,528	14,206	48,853
1978	875,928	678,918	209,884	509,688	30,320	175,828	17,849	63,160
1979	1,007,766	766,963	197,740	549,796	33,894	185,920	18,822	74,328
1980	1,120,406	857,038	155,747	448,205	39,367	231,007	22,521	85,678
1981	1,262,858	963,275	97,141	377,766	4,214	119,556	29,884	100,693
1982	1,630,687	1,266,241	114,501	513,202	4,020	165,059	22,964	101,072
1983	2,035,330	1,621,750	140,240	609,720	4,421	207,448	26,399	98,180
1984	2,325,240	1,896,856	94,777	558,180	4,612	223,684	21,843	110,495
1985	2,508,680	2,032,165	103,964	562,957	7,347	274,318	28,582	305,328

[a] Industrial loan companies are licensed lenders who are exempt from the usury law and who make unsecured and secured loans. This schedule does not include mortgage bankers licensed under the Industrial Loan Law.

[b] As of December 31st. Total assets restated to include thrift companies, non-thrift companies and premium finance agencies.

[c] Data refers to loans made during each year.

[d] Includes commercial loans.

Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 35

SUMMARY OF STATE TAX COLLECTIONS, 1960–61 TO 1987–88

(Excluding departmental, interest and miscellaneous revenue)

Fiscal year	State tax collections			Taxes per capita [a]			Taxes per $100 of personal income		
	General fund (thousands)	Special funds (thousands)	Total (thousands)	General fund	Special funds	Total	General fund	Special funds	Total
Cash basis									
1960–61	$1,537,347	$656,815	$2,194,162	$96.91	$41.41	$138.32	$3.55	$1.52	$5.07
1961–62	1,645,300	669,267	2,314,567	100.25	40.78	141.03	3.60	1.47	5.07
1962–63	1,791,038	711,185	2,502,223	105.66	41.96	147.62	3.65	1.45	5.09
1963–64	2,057,962	813,937	2,871,900	117.40	46.43	163.83	3.92	1.55	5.47
1964–65	2,161,157	931,958	3,093,115	119.89	51.70	171.59	3.81	1.64	5.45
1965–66	2,398,958	971,625	3,370,582	129.93	52.62	182.55	3.95	1.60	5.55
1966–67	2,422,275	993,277	3,415,552	128.63	52.75	181.38	3.68	1.51	5.18
Accrual basis [b]									
1966–67	2,746,888	1,091,387	3,838,275	145.87	57.96	203.83	4.17	1.66	5.83
1967–68	3,557,610	1,118,311	4,675,921	185.53	58.32	243.85	5.03	1.58	6.61
1968–69	3,962,520	1,210,229	5,172,748	203.92	62.27	266.19	5.11	1.57	6.68
1969–70	4,125,607	1,283,258	5,408,865	208.94	65.00	273.94	4.66	1.44	6.10
1970–71	4,290,263	1,308,350	5,598,613	214.10	65.29	279.39	4.51	1.37	5.88
1971–72	5,212,693	1,385,863	6,598,555	256.20	68.12	324.32	5.17	1.37	6.54
1972–73	5,758,266	1,470,905	7,229,171	279.73	71.46	351.19	5.22	1.34	6.56
1973–74	6,379,476	1,497,588	7,877,064	305.71	71.76	377.47	5.24	1.23	6.47
1974–75	8,045,039	1,529,459	9,574,497	379.96	72.24	452.20	5.91	1.12	7.03
1975–76	9,068,903	1,641,174	10,710,077	421.08	76.21	497.29	6.07	1.09	7.16
1976–77	10,780,867	1,744,013	12,524,880	491.49	79.51	571.00	5.42	2.06	7.48
1977–78	12,951,613	1,874,714	14,826,327	579.49	83.88	663.37	6.94	1.00	7.94
1978–79	14,187,549	2,013,879	16,201,427	621.20	88.17	709.37	6.62	0.94	7.56
1979–80	16,860,019	2,197,397	19,057,417	725.01	94.49	819.50	6.90	0.90	7.80
1980–81	17,808,092	2,191,849	19,999,941	749.15	92.21	841.36	6.46	0.80	7.26
1981–82	19,109,448	2,446,637	21,556,085	787.51	100.85	888.36	6.20	0.80	7.00
1982–83	19,578,803	2,796,214	22,375,017	789.92	112.81	902.73	5.97	0.85	6.82
1983–84	22,308,528	3,376,907	25,685,435	881.39	133.39	1,014.78	6.30	0.96	7.26
1984–85	25,514,709	3,522,886	29,037,595	989.14	136.58	1,125.72	6.53	0.90	7.43
1985–86	26,981,981	3,933,876	30,915,857	1,023.40	149.22	1,172.62	6.37	0.93	7.30
1986–87 [c]	29,535,600	4,041,457	33,577,057	1,099.10	150.37	1,249.47	6.51	0.90	7.41
1987–88 [c]	30,675,600	4,784,971	35,460,571	1,121.08	174.87	1,295.95	6.38	0.99	7.37

[a] Taxes per capita computed on the basis of population January 1st, the midpoint of the fiscal year.
[b] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning in 1973–74, accounts receivable only are accrued.
[c] Estimated.
Data may not add due to rounding.
Source: California Department of Finance.

TABLE 36

COMPARATIVE YIELD OF STATE TAXES, 1960–61 TO 1987–88

(In thousands)

Fiscal year	Sales and Use	Personal Income	Bank and Corporation [a]	Cigarette	Inheritance and Gift	Insurance	Distilled Spirits	Horse Racing	Beer and Wine	Motor Vehicle Fuel [b]	Motor Vehicle Fees [c]
Cash basis											
1960–61	711,702	269,103	272,718	66,024	76,803	66,745	41,274	37,260	9,704	350,801	264,842
1961–62	749,523	299,034	290,870	66,054	76,012	71,699	45,418	38,311	10,495	363,771	274,906
1962–63	813,465	322,012	311,251	70,194	92,432	77,970	48,152	41,663	10,659	386,215	298,356
1963–64	876,944	392,341	405,431	71,822	102,195	107,200	50,145	43,442	11,299	450,195	329,584
1964–65	939,649	410,109	416,247	74,477	114,464	95,199	53,915	47,560	12,422	542,822	353,607
1965–66	1,096,162	454,625	435,597	74,578	123,781	100,854	56,718	47,443	12,606	551,108	382,656
1966–67	1,053,249	500,086	453,292	75,597	114,413	107,186	59,564	49,311	13,751	548,287	405,061
Accrual basis [d]											
1966–67	1,190,750	626,697	453,292	78,191	141,899	131,226	64,733	49,311	14,964	643,698	405,061
1967–68	1,464,927	952,487	576,874	219,272	135,554	121,155	81,700	54,799	13,196	580,487	437,918
1968–69	1,652,979	1,101,691	592,303	237,328	158,815	130,312	85,494	59,839	14,118	625,667	469,655
1969–70	1,753,611	1,152,053	587,013	236,878	164,299	136,733	89,793	58,244	16,115	668,537	498,992
1970–71	1,808,052	1,264,383	532,091	239,721	185,699	158,423	90,765	64,601	15,791	674,635	513,201
1971–72	2,015,993	1,785,618	662,522	247,424	220,192	170,179	94,717	69,380	17,374	712,426	547,844
1972–73	2,198,523	1,884,058	866,117	253,602	260,119	179,674	96,907	72,693	17,977	746,196	596,922
1973–74	2,675,738	1,831,964	1,057,191	258,921	231,934	201,697	100,554	78,289	18,758	742,702	644,448
1974–75	3,376,153	2,581,584	1,253,673	261,975	242,627	202,991	100,856	86,637	19,893	752,234	664,453
1975–76	3,742,524	3,089,963	1,286,515	268,610	316,648	241,224	104,697	96,117	20,616	766,555	749,936
1976–77	4,313,909	3,761,356	1,641,500	269,384	367,964	322,476	105,275	102,702	22,210	810,321	807,782
1977–78	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	109,088	111,591	22,972	850,181	924,411
1978–79	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	114,922	113,253	25,137	896,591	1,021,857
1979–80	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	112,757	127,635	26,183	852,751	1,096,640
1980–81	7,131,429	6,628,694	2,730,624	278,161	530,180	460,926	115,191	129,779	27,669	839,995	1,127,293
1981–82	7,689,023	7,493,005	2,648,735	276,824	495,251	484,196	111,151	123,626	28,372	833,347	1,372,556
1982–83	7,795,488	7,712,691	2,536,011	271,621	517,875	736,929	108,519	123,398	27,690	928,633	1,624,736
1983–84	8,797,865	9,297,451	3,231,281	263,231	236,452	457,489	107,983	144,219	29,450	1,213,200	1,906,852
1984–85	9,797,564	10,835,734	3,664,593	263,327	296,805	643,139	105,958	140,577	29,828	1,159,700	2,140,562
1985–86	10,317,930	11,418,720	3,843,024	262,133	252,810	839,939	102,369	138,529	29,892	1,193,588	2,519,854
1986–87 [e]	10,730,000	12,800,000	4,315,000	257,000	270,000	993,000	104,000	143,607	29,600	1,237,890	2,700,100
1987–88 [e]	11,375,000	13,200,000	4,685,000	257,000	367,000	1,106,000	104,000	146,681	29,600	1,251,890	2,941,800

[a] Includes the corporation income tax.
[b] Motor vehicle fuel tax (gasoline), use fuel tax (diesel and liquefied petroleum gas).
[c] Registration and weight fees, motor vehicle license fees and other fees.
[d] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning with 1973–74, accounts receivable only are accrued.
[e] Estimated.
Source: California Department of Finance.

TABLE 37

ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES AND AVERAGE TAX RATE IN CALIFORNIA, 1960–61 TO 1986–87

Year	Assessed value [b]		Tax levies [a]		Average tax rate	
	Amount (in thousands)	Percent change from preceding year	Amount (in thousands)	Percent change from preceding year	Dollars per $100 assessed value	Percent change from preceding year
1960–61	29,600,832	7.9	2,195,588	10.3	7.42	2.2
1961–62	31,549,630	6.6	2,414,617	10.0	7.65	3.1
1962–63	33,326,914	5.6	2,606,131	7.9	7.82	2.2
1963–64	35,066,088	5.2	2,805,152	7.6	8.00	2.3
1964–65	36,743,364	4.8	3,057,579	9.0	8.32	4.0
1965–66	39,464,013	7.4	3,367,736	10.1	8.53	2.5
1966–67	42,522,365	7.7	3,758,481	11.7	8.84	3.6
1967–68	46,186,881	8.6	4,110,742	9.3	8.90	0.7
1968–69	48,653,400	5.3	4,569,986	11.2	9.39	5.5
1969–70	52,115,409	7.1	4,935,475	8.0	9.92	5.6
1970–71	55,580,735	6.6	5,721,672	15.9	10.86	9.4
1971–72	58,785,243	5.8	6,372,331	11.5	11.43	5.3
1972–73	62,790,656	6.8	6,819,609	7.0	11.44	0.1
1973–74	67,277,649	7.1	6,647,769	−2.5	11.15	−2.5
1974–75	74,298,823	10.4	7,383,411	11.0	11.24	0.8
1975–76	82,691,658	11.3	8,304,125	12.5	11.33	0.8
1976–77	93,716,623	13.3	9,376,391	12.9	11.20	−1.2
1977–78	106,694,452	13.8	10,276,725	9.7	10.68	−4.6
1978–79 [c]	116,736,826	9.4	5,635,715	−45.2	5.37	−49.7
1979–80	132,820,831	13.8	5,661,081	0.4	4.69	−1.5
1980–81	144,739,438	17.9 [d]	6,360,276	12.4	4.63	−1.3
1981–82	657,927,501 [e]	13.6 [e]	7,185,005	13.0	1.144	−1.2
1982–83	737,111,920	12.0	8,007,037	11.4	1.131	−1.1
1983–84	797,370,474	8.2	8,634,771	7.8	1.126	−.4
1984–85	878,738,713	10.2	9,437,483	9.3	1.113	−1.2
1985–86	968,620,180	10.2	10,274,050	8.9	1.096	−1.5
1986–87	1,058,686,538	9.3	n.a.	n.a.	n.a.	n.a.

[a] Excludes reimbursements to local government for homeowners' exemption and business inventory exemption.

[b] Includes the homeowners' exemption ($750 of assessed value from 1969–70 to 1972–73; $1,750 from 1973–74 to 1980–81; and $7,000 beginning in 1981–82). For 1985–86, the homeowners' exemption accounted for $30,208,543 of assessed value. The business inventory exemption (15% of assessed value in 1969–70; 30% during 1970–71 to 1972–73; 45% in 1973–74; and 50% from 1974–75 to 1979–80) was also included until 1980–81. Beginning in 1980–1981, business inventories became totally exempt and were no longer enrolled.

[c] The revised amount of taxes includes unsecured levies based on the 1977–78 tax rate on secured property. Some counties did not levy at these rates until a 1980 California Supreme Court decision clarified the proper 1978–79 tax rate applicable to unsecured property.

[d] Business inventories became totally exempt effective on the 1980–81 property tax rolls. The 1980–81 percent change from the preceding year was computed by excluding from the 1979–80 assessed value both the taxable and exempt value of business inventories.

[e] The ratio of assessed value to taxable value was changed to 100 percent (from 25 percent) beginning with the lien date for 1981–82. The percent change was computed "after factoring the 1980–81 valuations to 100 percent of value."

Source: California State Board of Equalization.

TABLE 38

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1985–86

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d]	
						1985–86	1984–85
Alameda	$106,295	$135,935	$113,069	$103,774	$459,073	1.200%	1.247%
Alpine	—	1,010	319	94	1,423	1.057	1.030
Amador	423	4,640	5,188	256	10,507	1.038	1.046
Butte	3,965	11,108	28,223	5,966	49,262	1.048	1.061
Calaveras	80	3,699	7,437	2,004	13,220	1.092	1.100
Colusa	459	4,339	6,016	1,023	11,837	1.042	1.044
Contra Costa	38,994	85,781	124,579	107,964	357,318	1.144	1.138
Del Norte	94	1,461	2,505	666	4,726	1.036	1.035
El Dorado	3,398	15,311	19,538	10,845	49,092	1.075	1.101
Fresno	26,818	59,298	82,107	26,732	194,955	1.072	1.094
Glenn	715	3,764	6,146	746	11,371	1.050	1.062
Humboldt	1,731	11,299	14,764	4,738	32,532	1.069	1.132
Imperial	3,390	9,027	13,241	2,060	27,718	1.062	1.082
Inyo	225	3,877	5,596	945	10,643	1.046	1.037
Kern	15,021	104,275	140,173	41,186	300,655	.965	1.049
Kings	1,904	11,364	8,823	2,386	24,477	1.029	1.054
Lake	700	10,034	12,705	4,617	28,056	1.004	1.023
Lassen	323	2,151	4,432	569	7,475	1.051	1.058
Los Angeles	530,516	1,157,457	636,878	483,603	2,808,454	1.092	1.103
Madera	1,265	7,828	17,375	2,512	28,980	1.054	1.070
Marin	15,308	33,153	48,001	18,030	114,492	1.044	1.069
Mariposa	—	2,194	4,010	417	6,621	1.003	1.004
Mendocino	927	11,195	12,903	1,731	26,756	1.096	1.098
Merced	3,796	17,631	19,206	4,758	45,391	1.046	1.054
Modoc	174	1,783	2,661	312	4,930	1.034	1.038
Mono	338	4,634	3,946	3,352	12,270	1.064	1.064
Monterey	11,253	30,567	55,462	14,971	112,253	1.036	1.042
Napa	4,702	12,510	21,355	3,575	42,142	1.059	1.100
Nevada	915	8,362	14,653	5,876	29,806	1.053	1.073
Orange	122,590	187,869	521,504	208,991	1,040,954	1.136	1.153
Placer	3,798	19,380	31,441	10,874	65,493	1.056	1.073
Plumas	133	3,487	7,287	1,646	12,553	1.010	1.011
Riverside	26,188	85,608	125,973	87,495	325,264	1.127	1.153
Sacramento	30,771	96,221	79,696	59,781	266,469	1.093	1.108
San Benito	582	2,320	6,791	2,005	11,698	1.158	1.159
San Bernardino	33,213	94,012	115,565	106,182	348,972	1.143	1.167
San Diego	113,854	190,037	397,263	69,591	770,745	1.072	1.090
San Francisco	—	309,486	30,917	23,021	363,424	1.140	1.142
San Joaquin	16,500	48,222	41,549	17,112	123,383	1.053	1.060
San Luis Obispo	6,843	32,541	52,010	5,653	97,047	1.073	1.073
San Mateo	40,451	73,979	148,858	31,256	294,544	1.029	1.035
Santa Barbara	8,248	42,069	68,173	21,944	140,434	1.051	1.058

TABLE 38—Continued

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1985–86

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d]	
						1985–86	1984–85
Santa Clara	82,381	173,188	333,922	108,777	698,268	1.144	1.171
Santa Cruz	6,323	20,371	40,503	9,819	77,016	1.064	1.061
Shasta	3,528	11,818	26,320	4,496	46,162	1.084	1.090
Sierra	38	1,220	483	214	1,955	1.012	1.012
Siskiyou	1,225	5,093	7,281	799	14,398	1.021	1.022
Solano	15,918	29,370	27,359	14,887	87,534	1.138	1.121
Sonoma	11,875	50,450	69,808	13,556	145,689	1.068	1.070
Stanislaus	7,574	21,975	52,149	4,624	86,322	1.041	1.045
Sutter	1,744	7,528	10,750	2,063	22,085	1.036	1.042
Tehama	918	5,224	7,458	526	14,126	1.056	1.065
Trinity	—	1,693	2,567	271	4,531	1.033	1.036
Tulare	5,103	28,691	29,500	5,396	68,690	1.041	1.037
Tuolumne	230	6,265	8,301	1,280	16,076	1.048	1.052
Ventura	19,474	70,283	94,662	63,167	247,586	1.098	1.128
Yolo	6,726	12,808	18,149	4,954	42,637	1.110	1.136
Yuba	742	5,108	6,129	1,581	13,560	1.104	1.114
Totals	$1,340,699	$3,402,003	$3,793,679	$1,737,669	$10,274,050	1.096%	1.113%

[a] The county levies at a rate of $1.00 per $100 of assessed value have been allocated among the jurisdictions receiving a portion of those levies. Excluded is the following amount of state reimbursement to local governments: homeowners, $333,829,000.

[b] County levies for school purposes, such as junior college tuition and countywide school levies, are included with school levies.

[c] Includes debt levies on land and/or improvements only. Also includes the portion of the $1.00 levy allocated to jurisdictions previously taxing less than total property, i.e., land only or land and improvements only.

[d] Computed by dividing total levies by the assessed value and multiplying by 100.

Source: California State Board of Equalization.

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87—75828